

天彩控股有限公司
SKY LIGHT HOLDINGS LIMITED



GLOBAL OFFERING

(Incorporated in the Cayman Islands with limited liability)
Stock code : 3882

Sole Sponsor, Sole Global Coordinator,
Sole Bookrunner and Sole Lead Manager



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

SKY LIGHT HOLDINGS LIMITED 天彩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 200,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 20,000,000 Shares (subject to adjustment)
Number of International Offer Shares	: 180,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$3.38 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 3882

Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



BOC INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about 24 June 2015 and, in any event, unless otherwise announced, not later than 29 June 2015. The Offer Price will be no more than HK\$3.38 and is currently expected to be no less than HK\$2.68 unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$3.38 for each Offer Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$3.38.

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that which is stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.sky-light.com.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before 29 June 2015, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares will be offered and sold only outside the United States in reliance on Regulation S.

19 June 2015

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete **electronic application**

instructions under **HK eIPO White Form**

service through the designated website

at www.hkeipo.hk⁽²⁾ 11:30 a.m. on Wednesday, 24 June 2015

Application lists open⁽³⁾ 11:45 a.m. on Wednesday, 24 June 2015

Latest time to lodge **WHITE** and **YELLOW**

Application Forms⁽⁴⁾ and electronic application

instructions to HKSCC 12:00 noon on Wednesday, 24 June 2015

Latest time to complete payment of

HK eIPO White Form applications by

effecting internet banking transfer(s)

or PPS payment transfer(s) 12:00 noon on Wednesday, 24 June 2015

Application lists close. 12:00 noon on Wednesday, 24 June 2015

Expected Price Determination Date⁽⁵⁾ Wednesday, 24 June 2015

Announcement of

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment of the Hong Kong Offer Shares,

to be published on the websites of the Stock Exchange

at www.hkexnews.hk and our Company

at www.sky-light.com.hk on or before Tuesday, 30 June 2015

Results of allocations of the Hong Kong Public Offering

(including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus) from

Tuesday, 30 June 2015

Results of allocations in the Hong Kong Public Offering

will be available at www.tricor.com.hk/ipo/result,

with a "search by ID" function Tuesday, 30 June 2015

Dispatch of **HK eIPO White Form** e-auto refund

payment instructions/refund cheque(s) on or before⁽⁶⁾ Tuesday, 30 June 2015

Dispatch of share certificates or deposited into CCASS

on or before⁽⁶⁾ Tuesday, 30 June 2015

Dealings in Shares on the Stock Exchange

expected to commence at. 9:00 a.m. on Thursday, 2 July 2015

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Wednesday, 24 June 2015, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (4) If you apply by giving electronic application instructions to HKSCC, you should refer to the section headed "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 24 June 2015 and, in any event, not later than Monday, 29 June 2015. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us by Monday, 29 June 2015, the Global Offering will not proceed.
- (6) We will issue refund cheque to you if your application is wholly or partially unsuccessful or if the Offer Price is less than the price per Offer Share payable on application. We will dispatch share certificates and refund cheque(s) by ordinary post to you at your own risk to the address you specified in your Application Form. If you have applied for 1,000,000 Hong Kong Offer Shares or more and have provided all information required in your Application Form, you may collect refund cheque(s) and/or share certificates from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 30 June 2015 or any other place and date we announce in the newspapers as the place and date of dispatch of share certificates/e-Auto Refund payment instructions/refund cheque(s). If you are an individual applicant, you may not authorise any other person to collect on your behalf. If you are a corporate applicant, you must attend by your authorised representative with your letter of authorisation stamped with your corporate chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you fail to collect within the time specified for collection, we will dispatch uncollected share certificates and refund cheque(s) by ordinary post at your own risk to the address specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

Share certificates are expected to be issued on Tuesday, 30 June 2015 but will only become valid certificates of title if the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be Thursday, 2 July 2015.

For details of the structure of the Global Offering, including its conditions, you should refer to the section headed "Structure of the Global Offering" in this prospectus.

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This prospectus is issued by our Company solely for the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction outside Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from the information contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading digital imaging device and solution provider for the action camera industry. In 2014, we were the second largest action camera manufacturer worldwide with a market share of 31% in terms of global action camera shipments, and we are a principal manufacturer for GoPro, Inc., (together with their affiliates, “GoPro”), a major camera brand in terms of 2014 shipments, according to Frost & Sullivan. We are principally engaged in developing and manufacturing action cameras and related accessories, other digital imaging products such as traditional digital cameras, portable scanners and digital camcorders for various uses, as well as home imaging and smart wearable products. From 2010 to 2014, our aggregate shipments of action cameras totalled approximately 7.1 million units, ranking us first among action camera manufacturers worldwide in terms of shipments for such period, according to Frost & Sullivan.

With more than 10 years of experience in developing a diverse range of digital imaging products, we are dedicated to offering design-driven JDM and ODM solutions to our customers. We actively engage in the design and development of our products and have established advanced product planning and research and development capabilities. As at 31 December 2014, we had a total of 349 product planning and research and development staff. As at the Latest Practicable Date, we had registered 36 patents and 44 copyrights and applied for an additional 19 patents and two copyrights. In addition, we have established a research and development centre in the Shenzhen Hi-Tech Industrial Park to focus our product planning and research and development efforts.

Guided by the principles of integrity, efficiency and innovation, we are committed to providing high-quality products and solutions to our customers and have received various awards and recognitions for our achievements. In 2014, we received an award from GoPro in recognition of our significant achievements as a principal manufacturer. In 2013, we were accredited as a “Guangdong Province Top 500 Manufacturing Enterprise” and “Guangdong Province Manufacturing Enterprise with Outstanding Contribution” by the Guangdong Manufacturers Association.

Our Products

We develop, manufacture and sell digital imaging products as our principal products. In recent years, we have begun to expand and diversify our product offerings to include new types of digital imaging and smart technology products. As at the date of this prospectus, our products consist mainly of the following categories: (i) action camera and accessories, (ii) digital imaging, (iii) home imaging, and (iv) smart wearable.

SUMMARY

The following tables set out (i) the breakdown of our revenue by product type, (ii) our revenue from sales of major products and their shipments, and (iii) the selling price ranges of our major products for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	Revenue	Percentage of total	Revenue	Percentage of total	Revenue	Percentage of total
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Product type						
Action camera and accessories	1,259,183	75.9	1,304,403	80.4	1,783,521	85.2
Digital imaging	376,025	22.7	225,382	13.9	199,819	9.6
Home imaging ⁽¹⁾	–	–	62	0.0	50,305	2.4
Others ⁽²⁾	23,621	1.4	92,680	5.7	58,740	2.8
Total⁽³⁾	1,658,829	100.0	1,622,527	100.0	2,092,385	100.0

Notes:

- (1) Home imaging products commenced commercial production and shipment in the third quarter of 2014.
- (2) Others include miscellaneous non-imaging products such as Wi-Fi box and tooling fees.
- (3) Smart wearable products are expected to commence production and shipment by June 2015.

	Year ended 31 December					
	2012		2013		2014	
	Revenue	Shipments	Revenue	Shipments	Revenue	Shipments
	HK\$'000	'000 units	HK\$'000	'000 units	HK\$'000	'000 units
Major product						
Action camera and accessories:						
Action camera	938,757	1,635	808,761	1,539	1,164,119	2,380
Accessories	320,426	17,014	495,642	32,975	619,402	64,401
	<u>1,259,183</u>		<u>1,304,403</u>		<u>1,783,521</u>	
Digital imaging:						
Digital camera	189,058	866	129,934	595	125,798	574
Scanner	164,883	641	85,314	316	64,024	238
Others	22,084	N/A	10,134	N/A	9,997	N/A
	<u>376,025</u>		<u>225,382</u>		<u>199,819</u>	
Home imaging	–	–	62	*(1)	50,305	122

Note:

- (1) Less than 1,000 units

	Year ended 31 December		
	2012	2013	2014
	Selling price range	Selling price range	Selling price range
	HK\$	HK\$	HK\$
Major Product			
Action camera and accessories:			
Action Camera	268 – 857	294 – 856	171 – 750
Accessories	0.23 – 639	0.23 – 720	0.12 – 548

SUMMARY

	Year ended 31 December		
	2012 Selling price range HK\$	2013 Selling price range HK\$	2014 Selling price range HK\$
Digital Imaging:			
Digital Camera	33 – 343	80 – 458	51 – 388
Scanner	61 – 802	155 – 814	140 – 747
Home Imaging	N/A	238 – 322	202 – 2,175

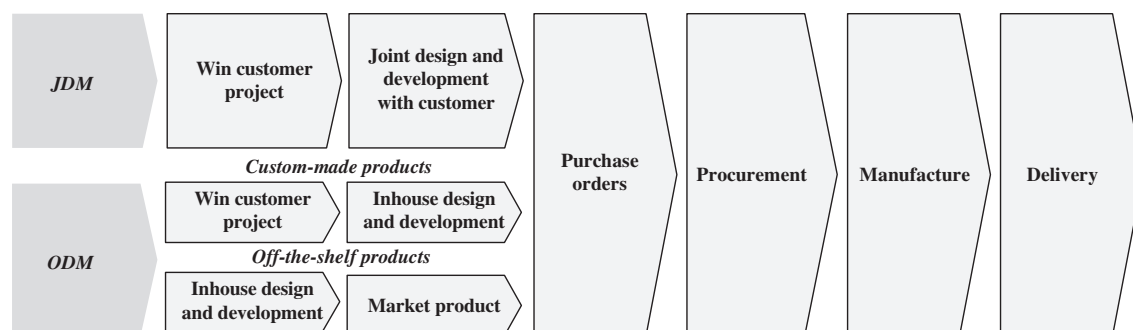
During the Track Record Period, we recorded strong sales of action camera and accessories as primarily driven by the fast sales growth of our customers, in particular GoPro, in line with the considerable growth of market demand in recent years. However, our sales of digital imaging products continued to decrease during the Track Record Period because of the declining market demand for traditional digital cameras and scanners, and we expect our sales of digital imaging products to continue to remain weak in light of the overall market trend. In the next few years, we expect sales of home imaging and smart wearable products will become the new growth drivers for our business, contributing to higher revenue for our Group. We will seek to maintain stable overall profit margins while continuing to expand our home imaging and smart wearable product offerings. We believe that the anticipated growth of our home imaging and smart wearable products will not have any significant impact in lowering our liquidity or otherwise undermining our risk profile.

We sell products mainly to customers in the United States, including GoPro. We expect the U.S. market will continue to account for the majority of our revenue in the foreseeable future. The following table sets out the breakdown of our revenue by location of customers for the years indicated:

	Year ended 31 December					
	2012		2013		2014	
	Revenue HK\$'000	Percentage of total %	Revenue HK\$'000	Percentage of total %	Revenue HK\$'000	Percentage of total %
United States	1,424,603	85.9	1,408,639	86.8	1,786,932	85.4
China	36,849	2.2	62,621	3.9	135,647	6.5
European Union	117,226	7.1	59,224	3.6	62,685	3.0
Other countries	80,151	4.8	92,043	5.7	107,121	5.1
	1,658,829	100.0	1,622,527	100.0	2,092,385	100.0

Business Model

We operate our business under two business models: JDM and ODM. The following diagram illustrates our business process under these two business models:



JDM. We engage in joint product design and development with our customers for products that we manufacture on a JDM basis. Once we win a customer project, we will collaborate with the customer with our dedicated design quality assurance team to jointly

SUMMARY

design and develop a product. After the customer confirms the specifications of the product design, they will place a purchase order and we will begin procuring materials and manufacturing the product. The customer is typically entitled to any intellectual property rights relating to the design and development of the product. Our major JDM customers include GoPro.

ODM. The ODM business process begins either with winning a customer project or with our own internal design project. In situations where we win the customer project first, the customer provides us with a general concept for the type of product they want and we proceed to design and develop a custom-made product based on their ideas. In situations where we begin with an internal design project, we finish the design and development first, then market the fully developed off-the-shelf product to potential customers. In either case, the customer is able to test a prototype of the developed product before placing a purchase order for us to begin procurement and production. We are typically entitled to any intellectual property rights relating to the design and development of the product.

Major Customers

We sell the majority of our products directly to brand customers which sell these products to the market under their own brands. Our brand customers include camera brands such as GoPro and iON, established technology equipment brands such as NETGEAR, as well as high-potential start-up companies such as Canary.

GoPro

We derive a significant portion of our revenue from our largest customer, GoPro. In addition, we have been approved or designated by GoPro to manufacture GoPro-related accessories for certain of their suppliers. Our revenue from GoPro and these suppliers together accounted for 75.1%, 79.9% and 82.7% of our total revenue in 2012, 2013 and 2014, respectively. We therefore rely substantially on GoPro for our business and results of operations. We have entered into a global supply agreement and a master product development agreement with GoPro, which provide the framework for our ongoing relationship as further described in the section headed “Business – Sales and Marketing – Customers – Relationship with GoPro” in this prospectus. However, GoPro has no legal obligations under the terms of these agreements or otherwise to continue to purchase from us and we cannot assure you that GoPro and their suppliers will always continue to do so. See the risk factor headed “Risk Factors – Risks Relating to Our Business and Industry – We derive a significant portion of our sales from GoPro. Any decrease in our sales to GoPro or any adverse changes in their business or financial condition could materially and adversely affect our business, financial condition and results of operations.” in this prospectus.

Diversification Strategy

As a key part of our diversification strategy to reduce our exposure to the risk of customer concentration, we have begun to expand our product offerings to develop the home imaging and smart wearable businesses. We began commercial production and shipment of home imaging products in the third quarter of 2014 and expect to begin shipment of smart wearable products by June 2015. We seek to capitalise on the fast-growing market demand for these products, thereby creating new sources of revenue to grow our business and diversify our customer base.

Based on our unaudited interim financial statements for the four months ended 30 April 2015, our revenue from sales of home imaging products for the four months ended 30 April 2015 had reached approximately HK\$95.7 million, representing approximately 12.2% of our total revenue for the same period. This represented a significant increase compared to 2.4% of our total revenue in 2014. Primarily as a result of the impact of the significant growth of our home imaging sales, the percentage revenue contribution by GoPro and their suppliers had decreased to approximately 76.8% for the four months ended 30 April 2015, as compared to 82.7% in 2014 and 79.9% in 2013. For more information regarding our diversification strategy and its implementation, see the section headed “Business – Customers – Customer Diversification” in this prospectus.

SUMMARY

Production and Other Facilities

We conduct all of our manufacturing operations at our two production facilities in China. These production facilities are located in Shenzhen and Heyuan, Guangdong, respectively, and occupy a total gross floor area of approximately 33,268 sq.m. In order to keep up with our growing business and rapid advances in technology, we continually strive to upgrade and expand our production facilities. Our designed annual production capacity in 2014 was approximately 3.3 million units of action cameras and approximately 120.0 million units of accessories, as further described in the section headed “Business – Production Facilities” in this prospectus. In addition, we maintain a research and development centre in the Shenzhen Hi-Tech Industrial Park and two offices in Hong Kong.

The following table sets out further information relating to these facilities:

Facilities	Location	Designed production capacity in 2014⁽¹⁾	Main functions
Shenzhen production facility	Shenzhen, Guangdong	3.3 million units	Headquarters, production, research and development, sales and marketing
Heyuan production facility	Heyuan, Guangdong	120.0 million units	Production
Research and development centre	Shenzhen, Guangdong	N/A	Product planning, research and development
Hong Kong offices	Hong Kong	N/A	Product planning, sales and marketing

Note:

- (1) The above designed production capacity figures are based on the production of standardised product units for illustrative purposes only and refer to units of action cameras for the Shenzhen production facility and units of action camera accessories for the Heyuan production facility. For more information, see the section headed “Business – Production Facilities” in this prospectus.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that will continue to drive our future success:

- A leading digital imaging device and solution provider in the global action camera market;
- Advanced product planning and research and development capabilities;
- Strong customer base and close relationships with key suppliers;
- High standards of quality control underpinned by key corporate principles; and
- Experienced senior management with substantial industry expertise.

BUSINESS STRATEGIES

We aim to maintain our strong market position and expand our product portfolio. We will continue to seek market share gain and deliver high-quality products and solutions to our customers by pursuing the following strategies:

- Continue to develop innovative products by further investing in product planning and research and development capabilities;
- Deepen our customer relationship and further expand our customer base;
- Upgrade and increase our production capacity;
- Create and promote our own brands for new products; and
- Selectively pursue merger and acquisition opportunities along the value chain.

SUMMARY

According to Frost & Sullivan, global smart home IP camera and smart wearable device shipments are projected to grow at CAGRs of 32.6% and 80.1%, respectively, from 2015 to 2019. We believe these fast-growing markets provide significant expansion opportunities to our business.

RECENT DEVELOPMENTS

During the first four months of 2015, we continued to record strong sales for our action camera and accessories and home imaging products. Shipments of these products grew significantly over the same period in 2014 as market demand for action cameras remained strong and our home imaging customers had placed an increasing amount of purchase orders with us as a result of their official product launches in early 2015. Based on our unaudited interim financial statements, our revenue for the four months ended 30 April 2015 had reached HK\$781.6 million, which represented an increase of 84.8% compared to the four months ended 30 April 2014. Our reporting accountants, Ernst & Young, have conducted a review on our subsequent interim financial information for the four months ended 30 April 2015 in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”.

As at 30 April 2015, we had received purchase orders from our customers for the sales and delivery of products in the remaining eight months of 2015. The aggregate amount of these purchase orders was HK\$1,046.1 million, comprising HK\$845.2 million for action camera and accessories, HK\$39.8 million for digital imaging products and HK\$161.1 million for home imaging products. As we commenced commercial production and shipment of home imaging products in the third quarter of 2014 and expect to commence shipment of smart wearable products by June 2015, we expect that our shipments of home imaging and smart wearable products for the year ending 31 December 2015 will be significantly higher than the quantities shipped in 2014. We expect that our shipments of action camera and accessories for the year ending 31 December 2015 will grow steadily as compared to 2014 but our shipments of traditional digital cameras and scanners will continue to decline. Subsequent to 31 December 2014 and up to the Latest Practicable Date, we did not experience any significant change of pricing policy for our products and there was no material change in the overall unit cost of our raw materials, components and parts.

Following the completion of the Global Offering, we estimate that approximately HK\$24.0 million will be charged as listing expenses and approximately HK\$9.0 million will be charged as share-based compensation in respect of the Pre-IPO Share Options granted on 29 May 2015 to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2015. See the section headed “Financial Information – Listing Expenses” and the risk factor headed “Risk Factors – Risks Relating to the Offering and the Shares – Any exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme will have a dilutive effect on your shareholding and may result in our issuance of Shares at prices lower than their trading price or fair market value.” in this prospectus. In addition, we expect to incur higher research and development costs as we continue to invest heavily in product planning and research and development and we are planning to set up a new research and development centre in Xi’an, Shaanxi Province in the second half of 2015. See the section headed “Business – Product Planning and Research and Development” in this prospectus. We expect that these increased expenses will likely have the impact of lowering our profitability as compared to our net profit margin at 9.6% in 2014.

Our Directors have confirmed that, since 31 December 2014 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant’s Report included in Appendix I to this prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below present select financial information derived from our consolidated financial statements set out in the Accountants’ Report included in Appendix I to this prospectus. The following information should be read in conjunction with our consolidated financial statements and related notes and the section headed “Financial Information”.

SUMMARY

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income Information

	Year ended 31 December					
	2012		2013		2014	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Revenue	1,658,829	100.0	1,622,527	100.0	2,092,385	100.0
Cost of sales	(1,330,439)	(80.2)	(1,287,170)	(79.3)	(1,646,618)	(78.7)
Gross profit	<u>328,390</u>	<u>19.8</u>	<u>335,357</u>	<u>20.7</u>	<u>445,767</u>	<u>21.3</u>
Add: Other income and gains	12,404	0.7	11,553	0.7	7,946	0.4
Less: Selling and distribution expenses	(15,179)	(0.9)	(14,366)	(0.9)	(15,580)	(0.7)
Administrative expenses	(60,492)	(3.6)	(69,126)	(4.2)	(94,961)	(4.6)
Research and development costs	(44,463)	(2.7)	(57,771)	(3.6)	(83,379)	(4.0)
Other expenses	(5,299)	(0.3)	(1,651)	(0.1)	(10,582)	(0.5)
Finance costs	(1,754)	(0.1)	(2,589)	(0.2)	(2,727)	(0.1)
Profit before tax	213,607	12.9	201,407	12.4	246,484	11.8
Income tax expense	(42,086)	(2.6)	(36,374)	(2.2)	(44,596)	(2.2)
Profit for the year	<u>171,521</u>	<u>10.3</u>	<u>165,033</u>	<u>10.2</u>	<u>201,888</u>	<u>9.6</u>
Profit attributable to:						
Owners of the Company	122,617	7.4	147,439	9.1	201,906	9.6
Non-controlling interests	48,904	2.9	17,594	1.1	(18)	(0.0)
	<u>171,521</u>	<u>10.3</u>	<u>165,033</u>	<u>10.2</u>	<u>201,888</u>	<u>9.6</u>

SUMMARY

Summary Consolidated Statement of Financial Position Information

	As at 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	87,991	96,388	124,581
Current assets			
Inventories	148,503	163,420	192,996
Trade receivables	72,142	319,571	251,235
Cash and cash equivalents	218,639	104,138	167,167
Others ⁽¹⁾	142,930	178,966	185,030
	<u>582,214</u>	<u>766,095</u>	<u>796,428</u>
Current liabilities			
Interest-bearing bank and other borrowings	82,478	172,342	164,826
Trade payables	144,957	270,547	275,215
Dividend payable	–	48,153	150,000
Others ⁽²⁾	93,657	124,606	111,016
	<u>321,092</u>	<u>615,648</u>	<u>701,057</u>
Net current assets	<u>261,122</u>	<u>150,447</u>	<u>95,371</u>
Total assets less current liabilities	<u>349,113</u>	<u>246,835</u>	<u>219,952</u>
Non-current liabilities	<u>5,256</u>	<u>5,150</u>	<u>871</u>
Net assets	<u><u>343,857</u></u>	<u><u>241,685</u></u>	<u><u>219,081</u></u>
Equity			
Equity attributable to owners of the Company	255,095	241,598	219,081
Non-controlling interests	88,762	87	–
	<u><u>343,857</u></u>	<u><u>241,685</u></u>	<u><u>219,081</u></u>

Notes:

- (1) Comprised bills receivables, derivative financial instruments, available-for-sale investments, amounts due from related parties, prepayments, deposits and other receivables, and pledged deposits.
- (2) Comprised bills payables, other payables and accruals, derivative financial instruments, tax payable, and amounts due to related parties.

SUMMARY

Summary Consolidated Statement of Cash Flows Information

	Year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	147,736	21,641	292,587
Net cash flows used in investing activities	(94,890)	(51,335)	(31,017)
Net cash flows used in financing activities	(4,424)	(84,807)	(198,541)
<hr/>			
Net increase/(decrease) in cash and cash equivalents	48,422	(114,501)	63,029
Cash and cash equivalents at the end of the year	218,639	104,138	167,167

Cash flows from operating activities consist of profit before tax adjusted for (i) certain non-cash or non-operating activities related items, including mainly depreciation and write-down of inventories, (ii) the effect of changes in working capital, and (iii) tax payment. During the Track Record Period, we recorded net cash flows from operating activities in the amounts of HK\$147.7 million in 2012, HK\$21.6 million in 2013 and HK\$292.6 million in 2014. These fluctuations were mainly attributable to changes in our working capital during the respective years, including a decrease in cash of HK\$78.6 million in 2012, a decrease in cash of HK\$155.1 million in 2013 and an increase in cash of HK\$37.0 million in 2014 as a result of changes in various working capital items. For more information, see “Financial Information – Liquidity and Capital Resources – Cash Flows from Operating Activities” in this prospectus.

During the Track Record Period, our net cash flows used in financing activities increased significantly from HK\$4.4 million in 2012 to HK\$84.8 million in 2013 and further to HK\$198.5 million in 2014. The increases in net cash flows used in financing activities in 2013 and 2014 were mainly attributable to the payments of dividends and certain other activities. For more information, see “Financial Information – Liquidity and Capital Resources – Cash Flows from Financing Activities” in this prospectus.

KEY FINANCIAL RATIOS

The following table sets out certain financial ratios relating to our Group as at the dates or for the years indicated. For more information, see the section headed “Financial Information” in this prospectus.

	As at/Year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current ratio ⁽¹⁾	1.81	1.24	1.14
Quick ratio ⁽²⁾	1.35	0.98	0.86
Return on assets ⁽³⁾	29.7%	21.5%	22.6%
Return on equity ⁽⁴⁾	69.7%	56.4%	87.6%
Gearing ratio ⁽⁵⁾	24.0%	71.3%	75.2%

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities.
- (3) Return on assets is calculated by dividing profit for the year by the arithmetic mean of the opening and closing balances of total assets in the relevant period.
- (4) Return on equity is calculated by dividing profit for the year by the arithmetic mean of the opening and closing balances of total equity in the relevant period.
- (5) Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank and other borrowings) by total equity as at the end of the relevant period.

SUMMARY

SHAREHOLDER INFORMATION AND SHARE OPTIONS

Immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised but without taking into account any Shares which may be issued pursuant to the exercise of options under the Pre-IPO Share Option Scheme and the Share Option Scheme, our Controlling Shareholders, namely Fortune Six and Mr. Tang Wing Fong Terry, our Chairman, our chief executive officer and an executive Director of our Company, will together beneficially own approximately 52.87% of the issued share capital of our Company.

We conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on 29 May 2015 and 12 June 2015, respectively. The maximum number of Shares that may be subscribed for pursuant to the options granted to 43 employees under the Pre-IPO Share Option Scheme and the options that may be granted under the Share Option Scheme will initially represent 2.33% and 8.88%, respectively, of the issued share capital of our Company immediately following the completion of the Global Offering on a fully diluted basis, assuming that the Over-allotment Option is not exercised. For more information on the terms and conditions of the Pre-IPO Share Option Scheme and the Share Option Scheme, see the section headed “Statutory and General Information – Other Information – 14. Share Option Schemes” in Appendix IV to this prospectus.

GLOBAL OFFERING STATISTICS

The statistics below are based on the assumption that 200,000,000 Offer Shares are issued under the Global Offering:

	Based on the low end of the indicative Offer Price range of HK\$2.68 per Share	Based on the high end of the indicative Offer Price range of HK\$3.38 per Share
Market capitalisation of our Shares ⁽¹⁾⁽²⁾	HK\$2,144.0 million	HK\$2,704.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾	HK\$0.86	HK\$1.03

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and do not take into account any Shares which may be issued pursuant to the exercise of options under the Pre-IPO Share Option Scheme and the Share Option Scheme.
- (2) The calculation of market capitalisation is based on the assumption that 800,000,000 Shares will be in issue immediately following the completion of the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in the section headed “Financial Information – Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets” in this prospectus and on the basis of 800,000,000 Shares to be in issue immediately following the completion of the Global Offering.

DIVIDEND POLICY

Subject to the provisions of the Articles and the Companies Law, we currently target to distribute to our Shareholders not less than 30% of our profit for the year attributable to owners of the Company. Any declaration of dividends, however, is subject to the discretion of our Directors and requires the approval of our Shareholders. We cannot assure you that we will be able to distribute dividends of this or any other amount, or at all, in any year.

During the Track Record Period, we declared dividends in the amounts of HK\$210.8 million in 2013 and HK\$283.8 million in 2014. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

For more information on our dividend policy, see the section headed “Financial Information – Dividends and Dividend Policy” in this prospectus.

SUMMARY

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK\$546.7 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK\$3.03 per Share, being the mid-point of the indicative Offer Price range of HK\$2.68 to HK\$3.38 per Share. We intend to use such net proceeds for the following purposes:

- approximately HK\$202.3 million (approximately 37% of our total estimated net proceeds) for the purchase of completed properties for use as production facilities and purchase of production machinery and equipment;
- approximately HK\$103.9 million (approximately 19% of our total estimated net proceeds) for marketing expenditures relating to (i) the development of new house brands for home imaging and smart wearable products and increased promotion of our “SKYPIX” brand; (ii) the recruitment of additional marketing staff; and (iii) participation in trade shows and exhibitions;
- approximately HK\$103.9 million (approximately 19% of our total estimated net proceeds) for possible mergers and acquisitions;
- approximately HK\$82.0 million (approximately 15% of our total estimated net proceeds) for research and development expenditures relating to (i) the set up of a new research and development centre in Xi’an, Shaanxi Province in the second half of 2015; (ii) the set up of additional radio frequency labs and upgrading of radio frequency, image and audio related facilities; and (iii) the recruitment of additional senior engineers; and
- approximately HK\$54.7 million (approximately 10% of our total estimated net proceeds) for working capital and general corporate purposes.

For more information, see the section headed “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus.

LISTING EXPENSES

In 2014, we incurred listing expenses of HK\$9.1 million, of which HK\$4.6 million was charged to our consolidated statement of profit or loss and other comprehensive income and the remaining amount of HK\$4.5 million was recorded as prepayment which is to be net off with share premium after the Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately HK\$50.2 million (based on mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, of which an estimated amount of approximately HK\$24.0 million will be charged to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2015 and an estimated amount of approximately HK\$26.2 million will be capitalised.

RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business and industry, risks relating to conducting business in China and risks relating to the offering and the Shares. In particular, we derive a significant portion of our sales from GoPro and any decrease in our sales to GoPro or adverse changes to their business could adversely affect our business. We may also face challenges relating to our business growth with respect to home imaging and smart wearable products as these are product lines in new markets where we may be exposed to different competitors and unfamiliar problems, and we may be unable to manage our growth or compete effectively. Going forward, we cannot assure you that we will be successful in anticipating or adapting to technological innovations in a timely manner, or at all, which could materially and adversely affect our financial condition and results of operations.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk Factors” in this prospectus carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in press articles, research analysts’ reports or other media regarding us and the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings. Certain other terms are explained in the section headed “Glossary” in this prospectus.

“Application Form”	WHITE application form, YELLOW application form and GREEN application form or, where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles”	the amended and restated articles of association of our Company, conditionally adopted on 12 June 2015 and effective upon the Listing as amended from time to time
“Best One”	Best One International Limited, a company incorporated under the laws of the BVI with limited liability on 27 November 2014, which is wholly-owned by Autopex Limited as nominee for Wing Lung Bank (Trustee) Limited acting as trustee for the Tang’s Family Trust and is a connected person of our Company
“Board”	our board of Directors
“BOCI”	BOCI Asia Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
“Brilliant Sky”	Brilliant Sky Associates Ltd., a company incorporated under the laws of the BVI with limited liability on 5 January 2015, which is wholly-owned by Autopex Limited as nominee for Wing Lung Bank (Trustee) Limited acting as the trustee of the Sky Light Employees’ Trust and is a connected person of our Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks are generally open for normal banking business
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of new Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information – Information about Our Company – 3. Resolutions in writing of the Shareholders passed on 12 June 2015” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Chuangligao”	Heyuan Chuangligao Investment L.L.P. (河源市創利高投資中心(有限合夥)), a limited liability partnership established in the PRC on 6 December 2011 with Ms. Chen Si Yu as its executive partner, which is an Independent Third Party
“CIT”	the corporate income tax of the PRC
“CIT Law”	the PRC Corporate Income Tax Law (《中華人民共和國企業所得稅法》), which came into effect on 1 January 2008
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Sky Light Holdings Limited, a company incorporated under the laws of the Cayman Islands as an exempted company with limited liability on 18 December 2013
“connected person”	has the meaning ascribed to it in the Listing Rules
“connected transaction”	has the meaning ascribed to it in the Listing Rules
“Contract Law” or the “PRC Contract Law”	the Contract Law of the PRC which was enacted by the Ninth National People’s Congress of the PRC on 15 March 1999 and became effective on 1 October 1999

DEFINITIONS

“Controlling Shareholder”	has the meaning ascribed thereto in the Listing Rules and, for the purpose of this prospectus, refers to any of Fortune Six or Mr. Tang Wing Fong Terry
“Creative Applications”	Creative Applications Limited, a company incorporated under the laws of Hong Kong with limited liability on 25 February 2013 and a wholly-owned subsidiary of our Company
“CSRC”	China Securities Regulatory Commission, a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Director”	a director of our Company
“Fortune Six”	Fortune Six Investment Ltd., a company incorporated under the laws of the BVI with limited liability on 11 November 2013 and is wholly-owned by Best One, a company controlled by the Tang’s Family Trust for the benefit of Mr. Tang Wing Fong Terry and certain of his family members
“Fortune Sky”	Fortune Sky Associates Limited, a company incorporated under the laws of the BVI with limited liability on 10 January 2014, which is wholly-owned by Brilliant Sky and is connected person of our Company
“Fortune Sky Shareholders”	refers to Mr. Tang Wing Fong Terry, Mr. Lu Yongbin and 41 other employees of the Group who are not connected persons of our Group
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GoPro”	GoPro, Inc., together with their affiliates, which are our largest customer and an Independent Third Party
“GREEN application form”	the application form to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group” or “our Group”	our Company and its subsidiaries
“HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form www.hkeipo.hk

DEFINITIONS

“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at <u>www.hkeipo.hk</u>
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards, which includes all Hong Kong Financial Reporting Standards, HKAS, Interpretations, and Accounting Guidelines, issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Offer Shares”	the 20,000,000 Shares (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus), being initially offered by us for subscription at the Offer Price under the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriter”	the underwriter of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriter” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 18 June 2015, relating to the Hong Kong Public Offering entered into, among others, by us and the Hong Kong Underwriter, as further described in the paragraph headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering” in this prospectus

DEFINITIONS

“Independent Third Party”	an individual or a company who or which is independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“International Offer Shares”	the 180,000,000 Shares (subject to adjustment and the exercise of the Over-allotment Option as described in the section headed “Structure of the Global Offering” in this prospectus) being initially offered by our Company for subscription under the International Offering, together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option
“International Offering”	the conditional offering of the International Offer Shares to professional, institutional and other investors by International Underwriter, as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	one or more underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering expected to be entered into among our Company, the International Underwriters and the Sole Global Coordinator to be dated on or around the Price Determination Date
“Latest Practicable Date”	8 June 2015, being the latest practicable date prior to the issuance of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around Thursday, 2 July 2015, on which the dealings in our Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Main Board”	the Stock Exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Maximum Offer Price”	the maximum offer price under the Global Offering of HK\$3.38 per Offer Share
“Memorandum”	the memorandum of association of our Company
“MOFCOM”	the Ministry of Commerce of the PRC
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed or issued pursuant to the Global Offering, to be determined as further described in the section headed “Structure of the Global Offering – Determining the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares including, where relevant, any additional Shares issued and sold pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by us to the Sole Global Coordinator (on behalf of the International Underwriters) under the International Underwriting Agreement, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last date for lodging of applications under the Hong Kong Public Offering, pursuant to which the Sole Global Coordinator may require our Company to issue and allot up to 30,000,000 additional Offer Shares, (representing in aggregate 15% of the number of Offer Shares initially available under the Global Offering) at the Offer Price, to, among other things, cover the over-allocation in the International Offering, as further described under the section headed “Structure of the Global Offering – The Over-Allotment Option” in this prospectus
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to “China” and the “PRC” do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“PRC government”	the central government of the PRC including all political subdivisions (including provincial, municipal, and other local or regional government entities) and organisations of such government or, as the context requires, any of them
“PRC Legal Adviser”	Jingtian & Gongcheng
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company on 29 May 2015 and effective upon the Listing, the principal terms of which are summarised in the section headed “Statutory and General Information – Other Information – 14. Share Option Schemes – B. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Price Determination Date”	the date, expected to be on or around Wednesday, 24 June 2015, but no later than Monday, 29 June 2015, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (on behalf of the Underwriters) for the purposes of the Global Offering
“Principal Share Registrar”	Codan Trust Company (Cayman) Limited
“Regulation S”	Regulation S under the U.S. Securities Act
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAT”	the State Administration of Taxation of the PRC
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share”	ordinary share in the share capital of our Company with a nominal value of HK\$0.01 each

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 12 June 2015 and effective upon the Listing, the principal terms of which are summarised under the section headed “Statutory and General Information – Other Information – 14. Share Option Schemes – A. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder”	a holder of the shares of our Company from time to time
“Shenzhen Skypix Technology”	Shenzhen Skypix Technology Limited (深圳市唯彩偉業科技有限公司), a company established under the laws of the PRC with limited liability on 31 May 2010 and a wholly-owned subsidiary of our Company
“Sky Light Digital”	Sky Light Digital Limited, a company incorporated under the laws of Hong Kong with limited liability on 21 June 2005 and a wholly-owned subsidiary of our Company
“Sky Light Employees’ Trust”	The Sky Light Employees’ Trust, a discretionary trust set up by Mr. Tang Wing Fong Terry and whose discretionary objects are the Fortune Sky Shareholders
“Sky Light HK”	Sky Light Electronic Limited, a company incorporated under the laws of Hong Kong with limited liability on 22 August 2006 and a wholly-owned subsidiary of our Company
“Sky Light Imaging”	Sky Light Imaging Limited, a company incorporated under the laws of Hong Kong with limited liability on 22 August 2006 and a wholly-owned subsidiary of our Company
“Sky Light Shenzhen”	Sky Light Electronic (SZ) Limited (天彩電子(深圳)有限公司), a company established under the laws of the PRC with limited liability on 23 January 2008 and a wholly-owned subsidiary of our Company
“Sky Light Software”	Sky Light Software Limited (深圳天彩智通軟件有限公司), a company established under the laws of the PRC with limited liability on 25 March 2013 and a wholly-owned subsidiary of our Company
“Sky Light Technology (HY)”	Sky Light Technology (HY) Limited (河源市新天彩科技有限公司), a company established under the laws of the PRC with limited liability on 2 March 2010 and a wholly-owned subsidiary of our Company
“Sole Sponsor”, “Sole Global Coordinator”, “Sole Bookrunner” or “Sole Lead Manager”	BOCI

DEFINITIONS

“sq.m.”	square metres
“Stabilising Manager”	BOCI or any of its affiliates or any persons acting for it
“State Council”	the State Council of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Sure Top”	Sure Top International Investment Limited, a company incorporated under the laws of Hong Kong with limited liability on 12 November 2011, which is owned by the Sure Top Shareholders and is an Independent Third Party
“Sure Top Shareholders”	refers to five employees of the Group who are not connected persons of our Group
“Tang’s Family Trust”	The Trust 168, a discretionary trust set up by Mr. Tang Wing Fong Terry and whose discretionary objects are Mr. Tang Wing Fong Terry and certain of his family members
“Tianhui Jianye”	Shenzhen Tianhui Jianye Investment L.L.P. (深圳市天匯建業投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on 14 December 2011 with Mr. Liu Zhi, an employee of the Group, as its executive partner, which was deregistered on 29 December 2014, and was an Independent Third Party
“Tianjin Xingye”	Shenzhen Tianjin Xingye Investment L.L.P. (深圳市天晉興業投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on 14 December 2011 with Mr. Lu Yongbin as its executive partner, which was deregistered on 29 December 2014, and was a connected person of our Company
“Track Record Period”	the three years ended 31 December 2012, 2013 and 2014, respectively
“Underwriters”	the Hong Kong Underwriter and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Uphigh Global”	Uphigh Global Limited, a company incorporated under the laws of BVI with limited liability on 11 October 2013 and is wholly-owned by Ms. Tang Kam Sau

DEFINITIONS

“US\$”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“we”, “us” or “our”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Wu’s Family Trust”	The Ling Shui Family Trust, a discretionary trust set up by Mr. Wu Yongmou and whose discretionary objects are Mr. Wu Yongmou’s children
“ YELLOW application form”	the forms of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“Yongdingda”	Yongdingda Investment Limited, a company incorporated under the laws of the BVI with limited liability on 27 November 2014, which is wholly-owned by Autopex Limited as nominee for Wing Lung Bank (Trustee) Limited acting as trustee for the Wu’s Family Trust and is a connected person of our Company
“Yongweida”	YongWeiDa Investment Limited, a company incorporated under the laws of the BVI with limited liability on 13 May 2014, which is wholly-owned by Yongdingda, a company controlled by the Wu’s Family Trust for the benefit of Mr. Wu Yongmou’s children and a connected person of our Company
“Yongweida L.L.P.”	Heyuan Yongweida Investment L.L.P. (河源市勇偉達投資中心(有限合夥)), a limited liability partnership established in the PRC on 6 December 2011 with Mr. Wu Yongmou as its executive partner, which was deregistered on 28 January 2015 and was a connected person of our Company

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC government authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only.

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“action camera”	high-definition camera with video recording capabilities, which is often used for action photography in sports and is usually durable, compact and easily worn or mounted
“AOI”	automated optical inspection, a form of testing where a camera autonomously scans a subject to detect flaws or defects
“cloud”	a network of remote servers which allows for online access of centrally storage data
“depanelling”	process by which a large PCB is cut apart into individual smaller PCBs
“DSP”	digital signal processor, a specialised microprocessor which is used for image processing
“firmware”	permanent software programmed into a read-only memory
“injection moulding”	manufacturing process in which material is injected into custom-made moulds to create parts
“IP camera”	internet protocol camera, a digital video camera which can send and receive data through a computer network and the internet
“JDM”	joint design manufacturing
“LCD”	liquid crystal display
“mainboard”	the main PCB in a product which holds the electronic components
“ODM”	original design manufacturing
“OQC”	outgoing quality control
“PCB”	printed circuit board, a flat plate or base of insulating material containing a pattern of conducting materials, which becomes an electronic circuit when components are soldered to it
“PCBA”	printed circuit board assembled, the fully assembled electronic circuit

GLOSSARY

“PoV camcorder”	point of view digital camcorder, a video recording device designed to be easily worn or mounted
“processor”	the hardware within a computing device the executes programs
“reflow”	soldering process by which solder paste is used to attach electrical components to PCBs and then heated to melt the solder
“SD card”	secure digital card, a memory card commonly used in portable devices
“sensor”	a component which converts optical images into electronic signals
“SMT”	surface mount technology, a process by which electronic components are mounted directly on the surface of a PCB
“Wi-Fi”	a form of wireless technology that allows electronic devices to connect to the internet or communicate between devices

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements related to events that involve known and unknown risks, uncertainties and other factors, including those described in the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects, strategies, plans, objectives and goals;
- the business opportunities that we may pursue;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business; and
- certain statements in the section headed “Financial Information” in the prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they related to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- changes in global general economic, market and business conditions as well as Asia’s domestic consumption and trade volumes;
- changes in our customers’ business performance;
- introduction and implementation of new or different laws in the areas we operate in;
- increases in interest rates;
- our ability to obtain adequate capital resources to fund future expansion plans;
- our ability to successfully implement our business plans, strategies, objectives and goals;
- our ability to protect our patents, brand, trademarks or other intellectual property rights;
- developments in technology and our ability to successfully keep up with technological improvements;
- our ability to attract and retain qualified employees and key personnel; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section, as well as the risks and uncertainties discussed in the section headed “Risks Factors” in this prospectus.

RISK FACTORS

Investing in the Shares involves certain risks. You should read this prospectus in its entirety and carefully consider each of the risks described below and all of the other information contained in this prospectus before deciding to purchase the Shares. If any of the following risks materialises, our business, financial condition and results of operations could be materially and adversely affected. The trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We derive a significant portion of our sales from GoPro. Any decrease in our sales to GoPro or any adverse changes in their business or financial condition could materially and adversely affect our business, financial condition and results of operations.

We derive a significant portion of our revenue from our largest customer, GoPro. In addition, we have been approved or designated by GoPro to manufacture GoPro-related accessories for certain of their suppliers. Our revenue from GoPro and these suppliers together accounted for 75.1%, 79.9% and 82.7% of our total revenue in 2012, 2013 and 2014, respectively. We have entered into a global supply agreement with GoPro, which provides that we will not design or manufacture certain similar camera products for other customers subject to certain minimum purchase commitments from GoPro. See the section headed “Business – Sales and Marketing – Customers – Relationship with GoPro – The Global Supply Agreement” in this prospectus for more information. We therefore rely substantially on GoPro for our business and results of operations. If for any reason GoPro discontinues or significantly reduces their purchase orders to us and we are unable to identify new customers or expand into other product categories, we may have difficulties in maintaining our utilisation rate and profitability at their current levels and our business and results of operations could be materially and adversely affected. Any adverse changes in the business or financial condition of GoPro, including any liquidity problems, restructuring, bankruptcy or liquidation, may also result in a higher level of credit risk to us, which could have a material adverse effect on our financial condition and results of operations. In addition, we cannot assure you that GoPro’s suppliers will continue to place the same amount of purchase orders with us, or at all, in the event of our loss of business from GoPro in the future.

We face numerous challenges relating to our business growth with respect to home imaging and smart wearable products.

In order to grow and diversify our business, we have expanded our product offerings by developing and manufacturing home imaging and smart wearable products. We have only a limited operating history in developing and manufacturing these new products, which may not provide a meaningful basis on which to evaluate our business. In addition, we expect our growing operations to place a strain on our management, personnel, systems and resources. If we are unable to manage our business growth with respect to home imaging and smart wearable products, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressure. To successfully manage our growth, we believe we must effectively:

- expand and upgrade our product design and development capabilities;
- hire, train, integrate and manage additional qualified engineers, senior managers, sales and marketing personnel and information technology personnel;
- implement additional, and improve existing, administrative and operations systems, procedures and controls;

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- manage our business relationships with customers and suppliers; and
- manage our financial condition and allocate resources to address future demand for different products.

As we enter new markets, we will also encounter new competitors who may manufacture and offer products comparable to ours with better quality or on a more cost-efficient basis. In addition, as we plan to set up new house brands to market our home imaging and smart wearable products, we could be perceived by our home imaging and smart wearable customers to be competing with their products or otherwise conflict with their business interests. If we are unable to manage our growth or compete in the markets for home imaging and smart wearable products effectively, our business, financial condition and results of operations could be adversely affected.

We may fail to anticipate or adapt to technology innovations in a timely manner, or at all.

Digital imaging products and smart technology applications are experiencing rapid technological changes. Failure to anticipate technology innovations or adapt to such innovations in a timely manner, or at all, may result in obsolescence to our products at sudden and unpredictable intervals. To maintain the relevancy of our products, we have actively invested in product planning and research and development. The process of developing and marketing new products is inherently complex and involves significant uncertainties. There are a number of risks, including the following:

- our product planning efforts may fail to result in the development or commercialisation of new technologies or ideas;
- our research and development efforts may fail to translate new product plans into commercially feasible products;
- our new technologies or new products may not be well received by consumers;
- we may not have adequate funding and resources necessary for continual investments in product planning and research and development;
- our products may become obsolete due to rapid advancements in technology and changes in consumer preferences; and
- our newly developed technologies may not be protected as proprietary intellectual property rights.

If we fail to introduce new products that will meet consumers' evolving needs, we may be unable to compete effectively in the market and our business and results of operations could be materially and adversely affected.

We may not be able to compete effectively in the highly competitive market.

We operate in a highly competitive market for our action camera, digital imaging, home imaging and smart wearable products. We expect competition to intensify in the future as existing competitors introduce new and more competitive offerings alongside their existing products. New market entrants, including international and regional mobile phone or consumer electronics brands, may also introduce new products with competitive proprietary technologies into our markets. In particular, we expect competition in the action camera market will further intensify as some well-established technology and electronics companies have recently entered or may in the future enter the market, which could potentially have a significant negative impact on the demand for our customers' products and, consequently, our business. In addition, we compete against many established manufacturers, some of which may enjoy substantial competitive advantages over us, including in economies of scale, operating history, financial resources, research and development capabilities and customer reach. Failure to compete effectively could result in a loss of our market share and a decrease in our revenue and profitability.

As consumer preference continues to evolve, our products may face competition from a broader range of products. For example, smartphones and tablets have significantly displaced sales of traditional digital cameras and camcorders, as a result of which our shipments of digital imaging products had decreased significantly during the Track Record Period. We

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experienced a decrease in revenue from sales of digital imaging products from HK\$376.0 million in 2012 to HK\$199.8 million in 2014 and we expect our sales of digital imaging products to remain weak in light of the overall market trend. Furthermore, it is possible that smartphone and tablet manufacturers, such as Apple and Samsung, may in the future develop products with new design specifications or added functions that compete directly with our customers, including our action camera customers. As smart devices develop a wider range of functions, our customers may not be able to compete effectively with smart device companies, which could in turn negatively affect our business and results of operations.

The sales of our products are significantly dependent on our customers' business performance and we may not be successful in attracting new customers.

We currently operate our business under the JDM and ODM business models and manufacture and sell our products to brand customers, importers and retailers, rather than directly to consumers. Accordingly, our sales are significantly affected by the business performance of these customers, as well as other factors affecting their purchases from us, many of which are beyond our control. Adverse changes in the economic conditions in the markets in which our customers operate, in particular, the United States and the European Union, unfavourable changes in the exchange rate of foreign currencies, weak consumer demand for our customers' products and unsuccessful sales and marketing efforts by our customers, among other factors, may negatively affect their purchasing practices and result in a reduction of purchase orders for our products. If our customers are unable to sell the products manufactured by us successfully to the market, our business and results of operations could be materially and adversely affected.

In addition to growing or maintaining our business with existing customers, the success of our business also depends on our ability to attract and acquire new customers. The market for our products is evolving rapidly and we cannot assure you that we will be able to acquire new customers for our existing or new products. In particular, brand companies may be unwilling to purchase from us if any of their competitors are also our customers or if our own branded products are competing, or are perceived to be potentially competing, with their products. In addition, under the global supply agreement that we entered into with GoPro, we may not design or manufacture certain similar camera products for other customers subject to certain minimum purchase commitments from GoPro. See the section headed "Business – Sales and Marketing – Customers – Relationship with GoPro – The Global Supply Agreement" in this prospectus for more information on the Global Supply Agreement. This exclusivity provision may limit our ability to find new customers or develop new action camera models or similar products for other customers.

We may not be able to price our products at our desired margins as a result of any decrease in our bargaining power or changes in market conditions.

We set prices for our JDM and ODM products primarily based on the estimated costs incurred in the production of a product plus a profit margin that varies depending on the type of product and the model sold. We periodically review our costs of production, and negotiate and agree with the customer on prices for each purchase order placed. Our ability to set favourable prices at our desired margins and to accurately estimate costs, among other factors, therefore has a significant impact on our profitability. In 2012, 2013 and 2014, our gross profit margin was 19.8%, 20.7% and 21.3%, respectively. We cannot assure you that we will be able to maintain our pricing or bargaining power or that our gross profit margin will not be driven down by market conditions or other factors. In the event that we see higher pricing pressure due to intensified competition from other manufacturers, continued decrease in prices to our customers in the end market or any other reasons, or if we otherwise lose bargaining power due to weaker demand for our products, we may need to reduce the prices and lower the margins of our products. Moreover, we may not be able to accurately estimate our costs or pass on all or part of any increase in our costs of production, in particular the costs of raw materials, components and parts, to our customers. As a result, our results of operations could be materially and adversely affected.

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Our customers may amend their demand forecasts, change production quantities or delay production, which may in turn affect our results of operations.

We generally require our major customers to provide us with a rolling forecast of purchase orders with estimated quantities, pricing and timing for the upcoming 4 to 12 months. These forecasts are non-binding and may not reflect the actual quantities, pricing or timing that the final purchase orders will include. We may face the risks that our customers will substantially amend their forecasts, require shortened delivery times or renegotiate prices, as a result of which their purchase orders may significantly differ from our expectations based on their forecasts. These changes may occur at any time without prior notice and we cannot assure you that we will be able to respond to these changes efficiently in order to accept or fulfil the purchase orders in a timely fashion. While we generally procure raw materials, components and parts based on purchase orders, we may consult these forecasts as a basis for our procurement of certain raw materials, components and parts that require a longer lead time to procure. Substantial differences between our customers' purchase orders and their forecasts may result in excess or shortage of key raw materials, components and parts in our inventory. As a result, our results of operations could be negatively affected by any cancellation, reduction or delay of purchase orders that our customers otherwise indicated in their forecasts.

Our production facilities may be unable to maintain efficiency or otherwise meet our production requirements.

Our future growth will depend upon our ability to maintain efficient operations at our existing production facilities and our ability to expand our production capacity as needed. In 2012, 2013 and 2014, the utilisation rate for our Shenzhen production facility was 80.0%, 81.4% and 86.0%, respectively, and the utilisation rate for our Heyuan production facility was 77.9%, 60.9% and 92.2%, respectively. The utilisation rate of our production facilities depend primarily on the demand for our products and the availability and maintenance of our equipment but may also be affected by other factors, such as the availability of employees, a stable supply of electricity, seasonal factors and changes in environmental laws and regulations. In order to meet our customers' demands and advancements in technology, we maintain and upgrade our equipment periodically. If our production facilities are unable to maintain efficiency, we may be unable to fulfil our purchase orders in a timely manner, or at all. This would negatively impact our reputation, business and results of operations.

As we continue to grow and expand our business, we expect to acquire additional production lines and possibly a new production facility to increase our production capacity. If we are unable to acquire the necessary equipment or production facility at an acceptable price, or at all, we may not be successful in achieving our business expansion plans. For more information about our expansion plans, see the section headed "Future Plans and Use of Proceeds" in this prospectus.

If we fail to maintain an effective quality control system, our business could be materially and adversely affected.

We place great emphasis on product quality and adhere to stringent quality control measures. To meet our customers' requirements and expectations for the quality and safety of our products, we have adopted a stringent quality control system, including a quality manual based on the ISO 9001:2008 standards, to ensure that every step of the production process is strictly monitored and managed. Failure to maintain an effective quality control system or to obtain or renew our quality standards certifications may result in a decrease in demand for our products or cancellation or loss of purchase orders from our customers. Moreover, our reputation could be impaired. As a result, our business and results of operations could be materially and adversely affected.

We may not be able to maintain our relationships with our major suppliers or ensure a stable supply of raw materials, components and parts on commercially acceptable terms.

Our principal raw materials, components and parts include processors (such as DSP), sensors and lenses. In 2012, 2013 and 2014, purchases from our five largest suppliers accounted for 34.1%, 41.3% and 44.1% of our total purchases, respectively, and purchases

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from our largest supplier accounted for 18.9%, 12.7% and 13.5% of our total purchases, respectively. If we are unable to maintain our relationships with any of our major suppliers or if any of them otherwise ceases to supply raw materials, components and parts to us on the same or similar terms, or at all, such changes may result in delays to our production, which could negatively affect our reputation and results of operations. We may also suffer lower gross profit margins if we fail to pass on the additional costs to our customers. In addition, replacing a supplier may require that we divert attention and resources away from our business. If we are unable to identify suitable replacement suppliers in a timely manner, or at all, our business and results of operations could be materially and adversely affected.

We may encounter difficulties in recruiting and retaining key personnel.

Our future growth and success depend to a significant extent on the continuing service and contribution of our engineers and senior management personnel. Many of these key personnel are highly skilled and experienced and are difficult to recruit and retain, particularly as we seek to expand our business with respect to the home imaging and smart wearable products. Competition for recruiting qualified personnel in China and Hong Kong is intense, and recruiting personnel with the combination of skills and attributes required to execute our business strategy may be difficult, time-consuming and expensive. As a result, the loss of any key personnel or failure to recruit, train or retain qualified personnel could have a significant negative impact on our operations.

Any change or discontinuation of preferential tax treatment we currently enjoy would increase our tax charge.

During the Track Record Period, certain of our PRC subsidiaries were recognised as “High and New Technology Enterprises” and were entitled to preferential tax treatments in the PRC. These included Sky Light Shenzhen, which was entitled to a preferential tax rate of 15% for each of 2012, 2013 and 2014, and Sky Light Technology (HY), which was entitled to a preferential tax rate of 15% for each of 2013 and 2014. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be cancelled. Moreover, we cannot assure you that these two PRC subsidiaries will continue to be accredited as “High and New Technology Enterprises” upon expiration of the relevant certificate. If any such change, cancellation or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiaries will be subject to CIT at a rate of 25% on taxable income. As a result, the increase in our tax charge could materially and adversely affect our results of operations.

Our results of operations are exposed to seasonal fluctuation of demand for our products.

Our sales are subject to seasonality. Sales fluctuations throughout the year are common in the consumer electronics industry and the timing and amount of our customers’ purchase orders are driven by the seasonal purchase patterns of consumers. Our sales are generally higher in the second half of the year because our customers place purchase orders with us at that time in anticipation of substantial market demand during Christmas and New Year holidays. However, these sales patterns may not be indicative of future sales performance which may fluctuate substantially from period to period. Seasonal fluctuations in the future may not match the expectations of investors.

Mergers and acquisitions involve significant risks and uncertainties and we may not be able to identify suitable targets or successfully integrate acquired businesses.

We may pursue suitable merger and acquisition opportunities to expand into strategic businesses. Merger and acquisition activities, however, involve significant risks and uncertainties, including:

- difficulties in identifying suitable targets and competition from other potential buyers or bidders;
- difficulties in determining the appropriate purchase price of the target, which may result in potential impairment of goodwill;

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- potential increases in debt, which may increase our finance costs as a result of the interest payments; and
- exposure to unanticipated contingent liabilities of the target.

In addition, integration of newly acquired businesses may be costly and time-consuming and could present us with significant risks and difficulties, including in:

- integrating the operations and personnel of the acquired businesses and implementing uniform IT systems, controls, procedures and policies;
- retaining relationships with key employees, customers, business partners and suppliers of the acquired businesses;
- successfully entering a business segment or geographic market in which we have limited prior experience;
- achieving the anticipated synergies and strategic or financial benefits from the acquisitions; and
- addressing the economic, political, regulatory and foreign exchange risks associated with the relevant jurisdiction in which the acquired businesses are located.

In addition, we may consider acquisitions of non-controlling interests in target companies, over which we will not have control. Accordingly, it is uncertain whether we will be able to achieve the intended objectives or benefits of those investments.

As a result of the foregoing, we cannot assure you that any mergers and acquisitions that we will conduct in the future will be successful. Failure in executing our merger and acquisition plans could have a material adverse impact on our business, financial condition and results of operations.

Product defects resulting in a large-scale product recall or product liability claims against us could materially and adversely affect our business, results of operations and reputation.

We manufacture products in accordance with internationally accepted quality standards and specifications provided by our customers. However, we cannot assure you that all products produced by us are free of defects. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns pursuant to our after-sale policy, large-scale product recalls or product liability claims against us for substantial damages. Such claims, even unsuccessful, would likely be time-consuming and costly to defend and could divert significant resources and management attention. As a result, our business, results of operations and reputation could be materially and adversely affected by any product defects.

We may encounter counterfeiting or other infringement of intellectual property rights by third parties or we may face other difficulties in protecting our intellectual property rights.

We rely on intellectual property laws in the PRC and other relevant jurisdictions, including Hong Kong and the United States, to protect our intellectual property rights, including patents, copyrights and trademarks. However, we cannot assure you that counterfeiting or other infringement of our intellectual property rights by third parties will not occur in the future or that, if it does occur, we will be able to effectively detect and address the problem or enforce our rights in a timely manner, or at all. Any such event could have a material adverse impact on our relationships with our customers, our reputation and our business and results of operations. Bringing legal actions to enforce or protect our intellectual property rights are time-consuming and costly and could divert significant resources and management attention. As we have registered or applied for registration of intellectual property rights only in certain jurisdictions, we may be unable to effectively prevent third parties from using our technologies, designs and trademarks in other jurisdictions. In addition, we cannot assure you that our competitors will not be able to develop other competing technologies by designing around or reverse engineering our patents and designs.

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We have submitted an application to the Trade Marks Registry of the Intellectual Property Department of the Government of Hong Kong for registration of a company logo set out in the section headed “Statutory and General Information – Further Information about the Business of Our Company – 9. Intellectual Property Rights of Our Group – (c) Trademarks” in Appendix IV to this prospectus as a trademark. As at the Latest Practicable Date, the registration of such trademark had not yet been approved by the Trade Marks Registry and we had not received any notice of objection to the registration of the trademark from any other third party. However, we cannot assure you that we will be successful in registering the trademark or our use of the logo will not infringe the intellectual property rights of any third party or otherwise violate any laws of Hong Kong. Any liability claim in relation to our use of the logo that is made or threatened to be made against us in the future, regardless of its merits, could result in costly litigation and strain our administrative and financial resources. Any of the foregoing events could negatively affect our competitive advantage and could materially and adversely affect our business and results of operations.

Third parties may assert or claim that we have infringed their intellectual property rights and any failure to protect our intellectual property rights could have a material adverse impact on our business.

Our competitors or other third parties may allege to own intellectual property rights and interests that could potentially conflict with our own. We may incur substantial costs in defending or settling such disputes and such actions could divert significant resources and management attention. If any such claim against us is successful, we may not have a legal right to continue to manufacture and sell the relevant products that are found to have incorporated the disputed intellectual property. The success of such claims may also result in an increase in our costs, including additional royalties, licensing fees or further research and development costs to develop non-infringing alternatives, and negatively affect our profitability. Moreover, such claims, whether successful or not, may cause significant damage to our reputation and a loss of customers, as a result of which our business and results of operations could be materially and adversely affected.

We may be subject to liability in connection with industrial accidents at our manufacturing facilities.

Due to the nature of our operations, we are subject to the risks of potential liability associated with industrial accidents at our production facilities. We cannot assure you that industrial accidents, whether due to malfunctions of equipment or other reasons, will not occur in the future at our production facilities. Under such circumstances, we may be subject to employee’s claims for compensation or penalties imposed by relevant government authorities and may suffer damage to our reputation. In addition, we may experience interruptions in our operations or may be required to change the manner in which we operate, as a result of governmental investigations or the implementation of safety measures due to accidents. Any of the foregoing events could materially and adversely affect our business, financial condition and results of operations.

Our insurance coverage may not completely cover the risks related to our business and operations.

We maintain insurance policies covering risks in respect of properties, receivables from GoPro, goods in transit and public liability which we believe is in line with industry practice. However, there is no assurance that our insurance coverage would be sufficient to cover all our potential losses. See the section headed “Business – Insurance” in this prospectus for more information on the insurance policies maintained by us. In the event that our insurance policies cannot sufficiently compensate for our losses sustained as a result of damage to items covered or howsoever incurred, we would have to pay for the difference ourselves and our cash flow and liquidity could be negatively affected.

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We are subject to the risk of foreign currency fluctuations.

While our costs and expenses are mainly denominated in U.S. dollars and Renminbi, substantially all of our sales are denominated in U.S. dollars given the export-oriented nature of our business. Any appreciation of Renminbi against U.S. dollars or Hong Kong dollars may therefore subject us to increased costs and lower profitability. For example, a 5% decrease in the exchange rate of HK dollars against Renminbi would have resulted in a decrease of HK\$1.6 million to our profit before tax in 2014. See the section headed “Financial Information – Quantitative and Qualitative Disclosures about Market Risks – Foreign Currency Risk” in this prospectus for more information on our foreign currency risk exposure. In addition, any exchange rate volatility relating to Renminbi may give rise to uncertainties in the value of our net assets and dividends. Our assets include wealth management contracts denominated in RMB, some of which are not principal protected and there may be a risk that we will lose our principal investment.

Any failure to comply with environmental regulations would expose us to penalties, fines, suspensions or actions in other forms.

Our operations are subject to the environmental protection laws and regulations promulgated by the PRC government. These laws and regulations require us to adopt effective measures to control and properly dispose of solid waste and other environmental pollutants. We could be exposed to penalties, fines, suspensions or actions in other forms if we fail to comply with these laws and regulations. The environmental laws and regulations in the PRC may be amended from time to time and changes in those laws and regulations may cause us to incur additional costs in order to comply with the more stringent rules. In the event that changes to existing laws and regulations require us to incur additional compliance costs or require costly changes to our production process, our production costs could increase and we may lose business from certain customers, as a result of which our business, financial conditions and results of operations could be materially and adversely affected.

Natural disasters, epidemics, acts of war, terrorist attacks and other events could materially and adversely affect our business.

Natural disasters (such as typhoons, flooding and earthquakes), epidemics, acts of war, terrorist attacks and other events, many of which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business, financial condition and results of operations. An outbreak or epidemic, such as those of the Severe Acute Respiratory Syndrome (“SARS”), Middle East Respiratory Syndrome (“MERS”) or the H1N1 and H5N1 viruses, could cause general consumption demand to decline. In addition, political tensions or conflicts and acts of war or the potential for war could also cause damage and disruption to our business, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

The economic, political, legal and social conditions and government policies of the PRC could affect our business.

Our business and results of operations are to a significant degree subject to the economic, political, legal and social developments of the PRC, as most of our assets are located, and all of our products are manufactured, in China. The PRC economy differs from the economies of other countries in many respects. The PRC economy has historically been a planned economy and has been in a transitional stage to a more market economy. Although the PRC government has implemented measures emphasising the use of market forces for economic reform in recent years, we cannot assure you that economic, political or legal systems of the PRC will not develop in a way that is detrimental to our business. Moreover, uncertainties regarding interpretation and enforcement of PRC laws and regulations may negatively affect our business. Any changes in the political, economic, legal and social conditions in China or the relevant policies of the PRC Government, such as changes in laws and regulations or their

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interpretation, in particular changes in labour laws which may result in wage increases, inflationary measures, changes in the rate or method of taxation, further foreign exchange restrictions and the imposition of additional import restrictions, could materially and adversely affect our business, financial condition and results of operations.

We may be adversely affected by inflation or labour shortage in China.

In recent years, the PRC economy has experienced periods of rapid expansion and highly fluctuating rates of inflation. During the past ten years, the rate of inflation in China has been as high as 6.2% and as low as -0.8%. While inflation has recently slowed with a moderate rate of 1.5% recorded in December 2014, it is uncertain when the general price level may increase or decrease sharply in the future. Moreover, the significant economic growth in China has resulted in a general increase in labour costs and shortage of low-cost labour, in particular in coastal provinces including Guangdong. Inflation may cause our production costs to continue to increase. If we are unable to pass on the increase in production costs to our customers, we may suffer a decrease in profitability and a loss of customers and our results of operations could be materially and adversely affected.

Failure to comply with PRC regulations in respect of the registration of shares granted to our PRC citizen employees may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administrative Measures for Foreign Exchange for Individuals issued by SAFE on 5 January 2007 and the Notice on Issues Concerning the Foreign Exchange Administration of Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies issued by SAFE on 15 February 2012, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company, to collectively entrust a domestic agent to handle matters such as foreign exchange registration, account opening, funds transfers and remittance, and entrust an overseas institution to handle matters such as the exercise of options, purchases and sales of related stocks, and funds transfer. In addition, the domestic agent must open a domestic special foreign exchange account with a designated bank. After repatriation of foreign currency income earned by PRC citizens from participation in an employee share option or share incentive plan, the domestic agent must request the bank to transfer the funds from its special foreign currency account to the respective personal foreign currency deposit accounts. Our PRC subsidiaries and our PRC citizen employees who were granted Pre-IPO Share Options and Post-IPO Share Options will be subject to these requirements upon the Listing. Failure to comply with any of these requirements may subject such employees or our PRC subsidiaries to fines and legal or administrative sanctions.

We may be subject to CIT on our worldwide income if we were considered a PRC “resident enterprise” under the CIT Law.

Under the CIT Law and its implementation rules, enterprises established outside of the PRC with “de facto management bodies” within the PRC are considered a “resident enterprise” and will be subject to CIT at a rate of 25% on their worldwide income. The implementation rules under CIT define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the production, operation, personnel, accounting, properties, etc. of an enterprise.” The SAT promulgated the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (“Circular 82”) on 22 April 2009, which provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in the PRC. On 27 July 2011, the SAT issued the Measures for Administration of Income Tax of Chinese-Controlled Resident Enterprises Incorporated Overseas (Trial) (“Circular 45”) to supplement Circular 82 and other tax laws and regulations. Circular 45 clarifies certain issues relating to resident status determination. Although Circular 82 and Circular 45 apply only to offshore

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enterprises controlled by PRC enterprises or PRC group companies and not those controlled by PRC individuals or foreigners, the determining criteria set forth in Circular 82 and Circular 45 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals or foreign enterprises. A substantial majority of our senior management team is located in China. If we were considered to be a PRC "resident enterprise," we would be subject to a PRC enterprise income tax at a rate of 25% on our worldwide income.

Dividends payable by us to our Shareholders and gains on the sale of our Shares may be subject to PRC tax.

Under the CIT Law and its implementation rules, dividend income of non-resident enterprises (enterprises that do not have an establishment or place of business in the PRC or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) is generally subject to CIT at a rate of 10% to the extent such dividend has its source within the PRC unless it can be reduced pursuant to the respective tax treaty between the PRC and the jurisdiction in which the non-resident enterprise resides which reduces or exempts the relevant tax. Similarly, any gain realised on the transfer of shares by such non-resident enterprises is subject to CIT at a rate of 10% if such gain is regarded as income derived from sources within the PRC. Since it is uncertain whether our Company will be considered a PRC "resident enterprise", dividends payable to our Shareholders with respect to our Shares, or the gains our Shareholders may realise from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to PRC tax.

The CIT Law may affect the availability of preferential tax rates under the special tax arrangement between Hong Kong and the PRC on dividends and interest to be paid by our PRC subsidiaries.

Under the CIT Law and its implementation rules, dividends paid by a PRC foreign-invested enterprise to its immediate parent company outside the PRC are subject to PRC withholding tax at rate of 10%, unless there are applicable treaties that reduce such rate. Under a special arrangement between China and Hong Kong, such dividend withholding tax rate is reduced to 5% if a Hong Kong resident enterprise owns more than 25% equity interest in the PRC company distributing the dividends and the interest withholding rate is reduced to 7% when receiving the interest from a PRC company. In October 2009, the SAT further issued the Circular on How to Interpret and Recognise the "Beneficial Owner" in Tax Agreements ("**Circular 601**") and certain other related rules. According to Circular 601, non-resident enterprises that cannot provide valid supporting documents as "beneficial owners" may not be approved to enjoy tax treaty benefits. "Beneficial owners" are individuals, enterprises or other organisations that are normally engaged in substantive operations. These rules also set forth certain adverse factors to the recognition of a "beneficial owner." Specifically, they expressly exclude a "conduit company," or any company established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management, from being a "beneficial owner." As a result, although our PRC subsidiary Sky Light Shenzhen is currently wholly owned by our Hong Kong subsidiary Sky Light HK, we may not be able to enjoy the applicable preferential withholding tax rate under the special tax arrangement and may therefore be subject to withholding tax at a rate of 10% with respect to dividends and interest to be paid by Sky Light Shenzhen to Sky Light HK.

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RISKS RELATING TO THE OFFERING AND THE SHARES

There has been no prior public market in Hong Kong for our Shares and an active trading market for the Shares may not develop or be sustained.

Prior to the Offering, no public market existed for our Shares. The initial Offer Price to the public for our Shares is the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Offering. We cannot assure you that an active trading market for our Shares will develop following the Offering or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the Offer Price.

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including the general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the trading price performance of other companies offering products and services related to ours, such as our customers and competitors, may affect the trading price of the Shares. In addition to market and industry factors, the price and trading volume for the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of the Shares to change substantially. Any of these factors may result in large and sudden changes in the trading volume and price of the Shares.

The interests of our Controlling Shareholders may differ from those of our other Shareholders, and such Shareholders may be disadvantaged by the actions of our Controlling Shareholders.

Immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised but without taking into account any Shares which may be issued pursuant to the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, our Controlling Shareholders will together beneficially own and control the exercise of approximately 52.87% of the voting rights in the general meeting of our Company. Our Controlling Shareholders could therefore exercise significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders could be disadvantaged by the actions of our Controlling Shareholders.

Since there will be a gap of several days between pricing and trading of the Shares, holders of our Shares are subject to the risk that the price of the Shares could fall during the period before trading of the Shares begins.

The Offer Price of the Shares is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

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Any sale of a substantial amount of the Shares in the public market, or the perception that such sale may occur in the near future, could negatively affect the market price of the Shares.

We cannot assure you that, after the expiry of the restrictions in respect of their lock-up undertakings, the Controlling Shareholders will not dispose of any Shares that they may own now or in the future. See the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement” in this prospectus. Any sale of a substantial amount of the Shares in the public market after the completion of the Global Offering, or the perception that these sales may occur in the near future, could negatively affect the market price of the Shares. Such sale or perception could also significantly impair our ability to raise capital through offerings of additional Shares in the future.

The availability of Shares for sale in the future could reduce the market price of the Shares.

In the future, we may issue additional Shares, or securities convertible into the Shares, to raise capital. We may also acquire interests in other companies by issuing Shares, or using a combination of cash and Shares. Any of these events may dilute your ownership interest in our Company and could negatively affect the market price of the Shares.

Any exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme will have a dilutive effect on your shareholding and may result in our issuance of Shares at prices lower than their trading price or fair market value.

We conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on 29 May 2015 and 12 June 2015, respectively. The maximum number of Shares that may be subscribed for pursuant to the options granted to 43 employees under the Pre-IPO Share Option Scheme and the options that may be granted under the Share Option Scheme will initially represent 2.33% and 8.88%, respectively, of the issued share capital of our Company immediately following the completion of the Global Offering on a fully diluted basis, assuming that the Over-allotment Option is not exercised. The exercise price for options under the Pre-IPO Share Option Scheme is HK\$0.83 per Share. The vesting period for the Pre-IPO Share Option Scheme and the Share Option Scheme is three years and ten years, respectively. For more information, see the section headed “Statutory and General Information – Other Information – 14. Share Option Schemes” in Appendix IV to this prospectus.

We account for all share-based compensation as compensation costs using a fair-value based method, under which the fair value of the options granted on the date of the grant will be charged as an expense on our consolidated statement of profit or loss over the vesting period. With respect to the Pre-IPO Share Option Scheme, the fair value of options granted on 29 May 2015 is estimated to be approximately HK\$8.3 million, HK\$8.1 million and HK\$8.5 million, or approximately HK\$1.20, HK\$1.17 and HK\$1.19 per Share, for the portions to be vested one, two and three years after the Listing Date, respectively. This valuation was conducted based on the Binomial Model with assumptions on various parameters, such as the expected dividend yield and share price volatility. Due to the limitations of the Binomial Model, the result of valuation can vary significantly with changes in the assumptions used and therefore the actual value of an option may differ significantly from its estimated fair value. As the grant of these options will become effective on the Listing Date, which is expected to be 2 July 2015, and the options will vest in three portions one, two and three years thereafter, the amount of share-based compensation that will be charged to our consolidated statement of profit or loss for the year ending 31 December 2015 will be approximately HK\$9.0 million, which will be subject to any adjustments to valuation based on audit and the then changes in assumptions and parameters used. The cost of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme will therefore reduce our profit for the relevant periods after the Listing.

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In addition, if any grantees exercise their options under the Pre-IPO Share Option Scheme or the Share Option Scheme, additional Shares will be issued at a price which may be lower than the trading price or fair market value of our Shares at the time. Therefore, your shareholding in our Company is subject to dilution in terms of both your ownership percentage in our Company and the fair value of the Shares you hold. The dilutive effect of the exercise of all options which were granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme on your shareholding percentage will be approximately 11.03% based on the number of Shares in issue immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised.

Because the Offer Price of the Shares is higher than our net tangible book value per Share, purchasers of the Shares in the Global Offering will experience immediate dilution.

If you purchase Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, you will experience an immediate dilution of approximately HK\$2.08 per Share, representing the difference between our pro forma net tangible book value per Share as at 31 December 2014, after giving effect to the Global Offering, and the assumed initial public offering price of HK\$3.03 per Share (being the midpoint of the estimated Offer Price range of HK\$2.68 and HK\$3.38 per Offer Share).

There is no assurance that the Company will declare dividends in the future.

We declared dividends in the amounts of HK\$210.8 million in 2013 and HK\$283.8 million in 2014. Details of our Company's dividend policy and dividends are set out in the section headed "Financial Information – Dividends and Dividend Policy". There is no assurance that future dividends will be similar to historical dividends or will be declared at all, and potential investors should be aware that historical dividends will not be used as a reference or basis upon which future dividends may be determined. The declaration, payment and amount of any future dividends of the Company will be subject to the discretion of the Directors, and will depend upon, among other things, our earnings, financial condition, cash requirements and availability of profits, the provisions of the Articles of the Company and the Companies Law and other relevant factors.

In particular, our Company is a holding company and conducts substantially all of our business through our operating subsidiaries. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiaries, which in turn depend on the legal and regulatory requirements to which the relevant subsidiary is subject. Generally, our subsidiaries could not pay any dividends to us if they do not have any distributable profit. Limitation on the ability of our subsidiaries to remit their after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, invest, pay dividends and other distributions and conduct our business. In addition, restrictive covenants in banking facilities, joint venture agreements or other arrangements that our subsidiaries have entered or may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make distributions to us. These restrictions would reduce the amount of dividends or other distributions we could receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our Shareholders.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by, among other things, the Memorandum and Articles of the Company and the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

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We cannot guarantee the accuracy of facts and other statistics with respect to our industry contained in this prospectus.

We have derived certain facts and other statistics in this prospectus relating to the industry in which we operate from various third-party sources that we believe to be reliable and appropriate. While we have taken reasonable care in the reproduction of the information and our Directors have no reason to believe that any of the information is false or misleading or that any fact has been omitted that would render it false or misleading, such facts and statistics not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager or any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering. Therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC or available from other sources. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate and may not be comparable to official statistics and you should not place undue reliance on them. Accordingly, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This document contains certain statements that are “forward-looking” and indicated by the use of forward-looking terms such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “plan”, “potential”, “project”, “seek”, “should”, “will” or “would” or similar expressions. You are cautioned that any forward-looking statement involves risks and uncertainties and any or all of the assumptions relating to the forward-looking statements could prove to be inaccurate. As a result, the forward-looking statements could be incorrect. The inclusion of forward-looking statements in this prospectus should not be regarded as a representation by us that the plans and objectives will be achieved, and you should not place undue reliance on such statements.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation of the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary of an issuer must be an individual who by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out academic or professional qualifications to be considered acceptable by the Stock Exchange:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules sets out factors the Stock Exchange will consider in assessing an individual's "relevant experience":

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirements under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Lu Yongbin as one of our joint company secretaries. Mr. Lu joined our Group in 2005 and is one of our executive Directors. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details of Mr. Lu. Mr. Lu has been qualified as a certified public accountant in the PRC since 2004 and obtained an associate degree in accounting and finance from the Hubei Normal University in 1998. He is also a fellow member of the Chinese Institute of Certified Public Accountants and the China Certified Tax Agents Association. However, Mr. Lu does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules.

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Lu will endeavor to attend relevant training courses including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules organised by our Hong Kong legal advisers on an invitation basis and seminars organised by the Stock Exchange for listed issuers from time to time;
- we have appointed Ms. Ho Wing Tsz Wendy, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and provide assistance to Mr. Lu in the discharge of his duties as company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Lu to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- upon expiry of the three-year period, the qualifications and experience of Mr. Lu will be evaluated. Mr. Lu is expected to demonstrate to the Stock Exchange's satisfaction that he, having had the benefit of Ms. Ho's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, preliminarily determined for an initial period of three years from the Listing Date, provided that Ms. Ho is engaged as a joint company secretary and provides assistance to Mr. Lu during this period. Upon expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Lu to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We and Mr. Lu would then endeavor to demonstrate to the Stock Exchange's satisfaction that Mr. Lu, having had the benefit of Ms. Ho's assistance, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules, so that a further waiver would no longer be necessary.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that our principal business operations are located, managed and conducted in the PRC and our senior management predominately resides in the PRC (save for Mr. Tang Wing Fong Terry who ordinarily resides in Hong Kong), our Company do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions:

- (a) Our Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that our Company will comply with the Listing Rules at all times. The two authorised representatives are Mr. Tang Wing Fong Terry (our executive Director) and Ms. Ho Wing Tsz Wendy (our joint company secretary). Our authorised representatives will be available to meet with the Stock Exchange on reasonable notice as and when required and will be able to contact our Directors promptly at all times by telephone, facsimile and email as and when the Stock Exchange wishes to contact our Directors on any matters;
- (b) Each of our Directors (including our non-executive Directors and our independent non-executive Directors) holds valid travel documents and will be available to travel to Hong Kong to meet with the Stock Exchange within a reasonable timeframe upon request. Each of them will be readily contactable by telephone, facsimile and email, and is authorised to communicate on our behalf with the Stock Exchange;
- (c) Mr. Tang Wing Fong Terry, who is ordinarily resident in Hong Kong, and Ms. Ho Wing Tsz Wendy will (i) provide their office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the Stock Exchange; and (ii) will be able to contact our Directors and the other authorised representative promptly by telephone, facsimile and email at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) Our Company has appointed Guosen Securities (HK) Capital Co., Ltd. as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorised representatives, our Directors and the other senior management and will act as our principal channel of communication with the Stock Exchange when our authorised representatives are not available. Our compliance adviser has been appointed for a period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules. Our compliance adviser will act as an additional channel of communication with the Stock Exchange;
- (e) To further enhance communication between the Stock Exchange, our authorised representatives and our Directors, our Company has implemented a policy whereby (i) each Director will have to provide his/her mobile phone number, residential phone number, facsimile number and email address to our authorised representatives; (ii) in the event that a Director expects to travel and be out of office, he/she will have to provide the phone number of the place of his/her accommodation or other means of communications to our authorized representatives; and (iii) all Directors will provide their mobile phone numbers, office phone numbers, facsimile numbers and email addresses to the Stock Exchange; and
- (f) Meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or our compliance adviser, or directly with our Directors within a reasonable timeframe.

Our Company will inform the Stock Exchange promptly in respect of any change in our authorised representatives and/or compliance adviser.

CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue to carry on transactions which would constitute continuing connected transaction of us under the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules. Further details of such non-exempt continuing connected transaction and the waiver are set out in the section headed “Continuing Connected Transaction” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE HONG KONG PUBLIC OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as at any subsequent time.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 20,000,000 Hong Kong Offer Shares and the International Offering of initially 180,000,000 International Offer Shares.

The application for listing of our Shares is sponsored by the Sole Sponsor. The Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us by Monday, 29 June 2015, the Global Offering will not proceed and will lapse. Further information about the Hong Kong Underwriters and the Underwriting Agreements is set out in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or deemed by his acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus, where applicable.

No action has been taken to permit a public offer of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to any registration made with or authorisation by the relevant securities regulatory authorities or an exemption from applicable securities laws.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our Shares in issue prior to the Global Offering and to be issued pursuant to the Capitalisation Issue and the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the exercise of options granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme).

No part of our Shares is listed on or dealt in any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

STAMP DUTY

Dealings in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding or disposing of or dealing in them, you should consult an expert.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth under the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed “Structure of the Global Offering – The Over-allotment Option” and “Structure of the Global Offering – Stabilising Action” in this prospectus.

REGISTER OF MEMBERS

Our Company’s principal register of members will be maintained by its Principal Share Registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Company’s branch register of members will be maintained by its Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. All Shares to be issued pursuant to the Global Offering, and any Shares to be issued upon exercise of the Over-allotment Option or any option which has been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme will be registered on our Company’s branch register of members maintained in Hong Kong. Only Shares registered on our Company’s branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
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Executive Directors

Tang Wing Fong Terry (鄧榮芳)	Flat B, 25th Floor Tower 2, The Harbourside 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Chinese
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Wu Yongmou (吳勇謀)	Room 30D, Unit 3, Tower 3 Lijing International Mansion Bao'an District Central Area 85 Shenzhen PRC	Chinese
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Lu Yongbin (盧勇斌)	Room 24B06, Block A, Building 1 Hai Ya Square Baomin Road Bao'an Shenzhen PRC	Chinese
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Non-executive Directors

Huang Erwin Steve (黃岳永)	Flat 1B, Ground Floor Tseng Tau Village Sai Kung New Territories Hong Kong	Chinese
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Tang Kam Sau (鄧綿繡)	Flat B, 24th Floor, Block 14 Braemar Hill Mansions 41 Braemar Hill Road North Point Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent non-executive Directors

Chan Tsu Ming Louis (陳祖明)	Flat D, 28th Floor, 1 Star Street Wanchai Hong Kong	Chinese
Wong Kee Fung Kenneth (黃繼鋒)	House 121, Grand Hills Jingshun Road Beijing PRC	Chinese
Dr. Cheung Wah Keung (張華強)	Flat H, 9th Floor Lotus Mansion Taikoo Shing Quarry Bay Hong Kong	Chinese

Please refer to the section headed “Directors and Senior Management” in this prospectus for further details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor, Sole Global Coordinator,
Sole Bookrunner and
Sole Lead Manager**

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Mayer Brown JSM
16th-19th Floors, Prince's Building
10 Charter Road
Central
Hong Kong

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to PRC law:
Jingtian & Gongcheng Attorneys at Law
34th Floor, Tower 3
China Central Place
77 Jianguo Road
Beijing 100025
PRC

Legal advisers to the Underwriters

As to Hong Kong law:
Norton Rose Fulbright Hong Kong
38th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:
Jia Yuan Law Offices
F407 Ocean Plaza
158 Fuxing Men Nei Ave
Xicheng District
Beijing 100031
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditors and reporting accountants

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Central
Hong Kong

Industry Consultant

Frost & Sullivan
Suite 2802-2803, Tower A
Dawning Center
500 Hongbaoshi Road
Shanghai
PRC

CORPORATE INFORMATION

Registered office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Head office, headquarters and principal place of business in the PRC	No. 6 Building Jinbi Industrial Zone Huangtian Community, Bao'an Shenzhen PRC
Principal place of business in Hong Kong	1009 Kwong Sang Hong Centre 151-153 Hoi Bun Road Kwun Tong Kowloon Hong Kong
Compliance adviser	Guosen Securities (HK) Capital Company Limited
Joint company secretaries	Mr. Lu Yongbin Room 24B06, Block A, Building 1 Hai Ya Square Baomin Road Bao'an Shenzhen PRC Ms. Ho Wing Tsz Wendy (<i>FCIS, FCS</i>) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Mr. Tang Wing Fong Terry Ms. Ho Wing Tsz Wendy
Audit committee	Mr. Wong Kee Fung Kenneth (<i>Chairman</i>) Mr. Chan Tsu Ming Louis Mr. Cheung Wah Keung
Remuneration committee	Mr. Wong Kee Fung Kenneth (<i>Chairman</i>) Mr. Tang Wing Fong Terry Mr. Chan Tsu Ming Louis
Nomination committee	Mr. Tang Wing Fong Terry (<i>Chairman</i>) Mr. Chan Tsu Ming Louis Mr. Wong Kee Fung Kenneth
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

CORPORATE INFORMATION

**Principal share registrar and
transfer office in Cayman Islands**

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Principal bankers

Standard Chartered Bank (Hong Kong) Limited
13th Floor Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

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

Company website address

www.sky-light.com.hk⁽¹⁾

Note:

(1) The information contained on the website of our Company does not form part of this prospectus.

INDUSTRY OVERVIEW

Certain information contained in this section and elsewhere in this prospectus has been derived from various public sources or extracted from a commissioned market research report prepared by Frost & Sullivan for the purposes of this prospectus. We believe that the sources of the information in this section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or that any fact has been omitted that would render such information misleading. In addition, we believe there is no adverse change in market information since the date of the Frost & Sullivan report which may qualify, contradict or have an impact on such information. However, such information has not been independently verified by us or any of our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager or the Underwriters and no representation is given as to its accuracy. Such information may not be consistent with the information compiled by other sources.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct market research and analysis of selected industries and prepare a report entitled *Global Camcorder Independent Market Research*, dated April 2015. The market research was completed in April 2015. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training.

In preparing the report described above, Frost & Sullivan conducted detailed primary research which involved discussions of the status of the selected industries with certain leading industry participants. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database.

Frost & Sullivan obtained the figures for various market size estimates from historical data analysis plotted against macroeconomic data, as well as considered the industry key drivers discussed in the report. Its forecasting methodology integrates several forecasting techniques with its internal analysis of critical market elements investigated in connection with its market research work. These elements include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of market trends, and integration of econometric variables.

We were charged RMB0.8 million by Frost & Sullivan in connection with its preparation of the report. Our payment of such fee is not contingent upon the results of its research and analysis.

THE GLOBAL DIGITAL CAMERA AND CAMCORDER MARKET

Overview

A digital camcorder is an electronic device that combines a photo camera and a video recorder into one unit. Digital camcorders are generally classified into traditional camcorders, which are fixed video cameras typically used for television broadcasting and similar purposes, and PoV camcorders, which are portable camcorders typically used for personal recording by individuals. PoV camcorders are portable and offer a different user experience compared with stable shooting by traditional camcorders. PoV camcorders are further divided into the following types:

- *General camcorders*: for home videos and other household use;
- *Action cameras*: for action shots especially during sports activities, such as surfing and rock climbing; and
- *Special camcorders*: for more professional or special conditions, such as aerial shots.

Since 2010, the global digital camcorder industry has been in decline as the video recording capabilities of smartphones and tablets have increasingly supplanted traditional recording devices. However, the recent introduction of action cameras and other professional,

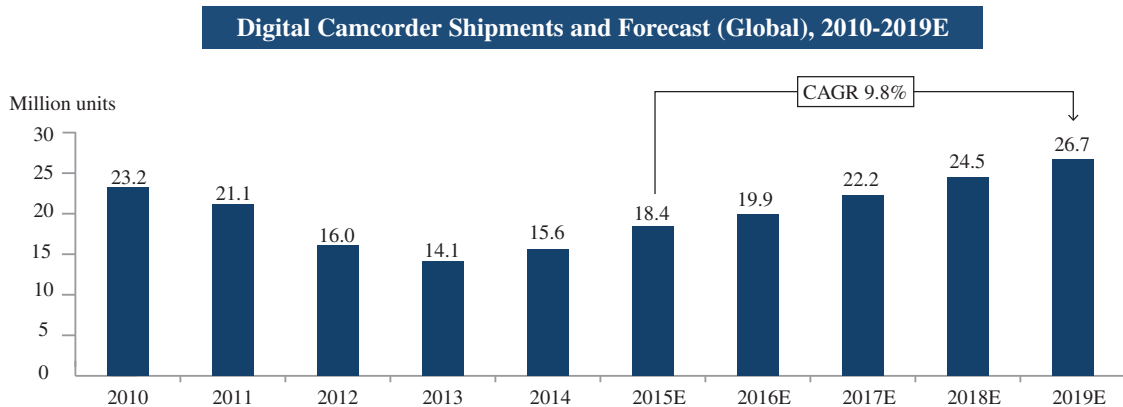
INDUSTRY OVERVIEW

niche camcorders have provided a new driver for growth. The introduction of action cameras marked a change in user behaviour and created a new product demand by providing a capture device specially made for action videos. Unlike general camcorders, action cameras are designed to be durable, lightweight and easy to carry and easy to mount for hands-free operation. Such features distinguish action cameras from traditional recording devices, smartphones and tablets.

Global Shipments

Global digital camcorder shipments, which historically comprised shipments for mainly general camcorders and traditional camcorders, declined at a CAGR of -15.3% from approximately 23.2 million units in 2010 to approximately 14.1 million units in 2013. Total shipments saw growth in 2014 as action cameras are driving new growth in both the customer market and enterprise market. According to Frost & Sullivan, the CAGR of global digital camcorder shipments from 2015 to 2019 is projected to reach 9.8% with shipments in 2019 forecasted to reach approximately 26.7 million units.

The following chart illustrates the historical and projected changes in global digital camcorder shipments from 2010 to 2019:



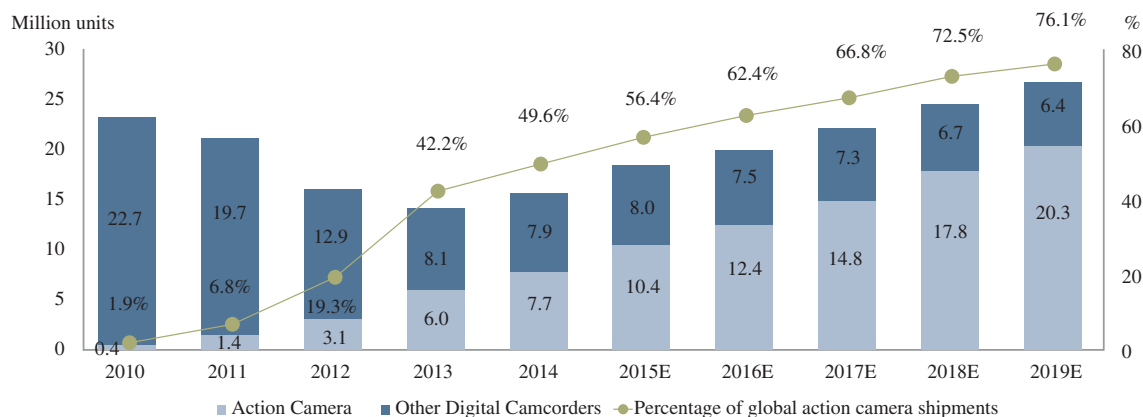
Source: Frost & Sullivan

Action cameras have been gaining in market penetration and have been replacing other digital camcorders since 2009. Due to its improved quality and ease of use compared to other digital camcorders, action cameras are expected to lead the market and drive further growth. According to Frost & Sullivan, action cameras are expected to account for more than 75% of global digital camcorder shipments by 2019.

INDUSTRY OVERVIEW

The following chart illustrates the historical and projected changes in global shipments of action cameras and other digital camcorders and the percentage of global action camera shipments in global digital camcorder shipments from 2010 to 2019:

Action Camera vs Other Digital Camcorders Shipments and Forecast (Global), 2010-2019E



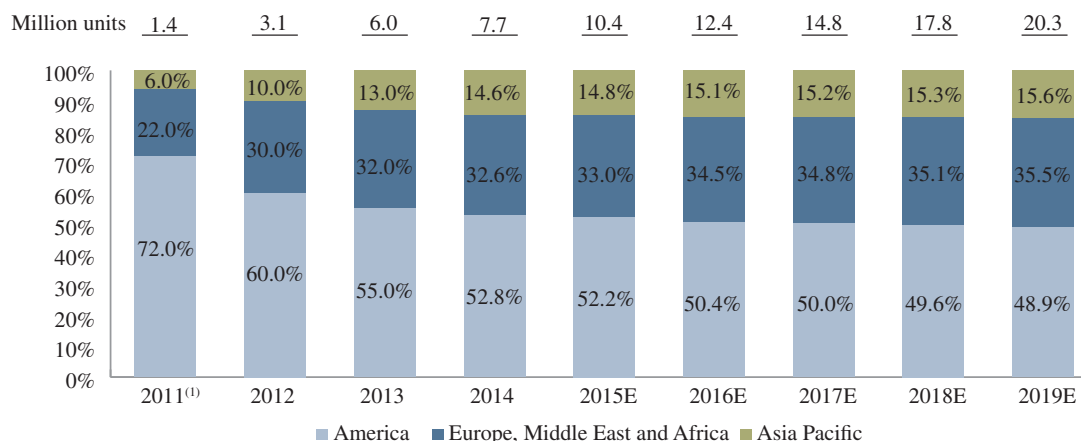
Source: Frost & Sullivan

With the creation of a new market, demand for action cameras saw considerable growth with global shipments increasing at a CAGR of 104.2% from 2010 to 2014 to reach approximately 7.7 million units globally in 2014, according to Frost & Sullivan. Global action camera shipments are expected to continue to grow at a CAGR of 18.3% from 2015 to 2019 with approximately 20.3 million units forecasted to be shipped in 2019.

The majority of global action camera shipments are to the United States. However, with key players expanding to the Asia Pacific market, growth of the regional Asia Pacific market is forecasted to reach a CAGR of 19.4% from 2015 to 2019, according to Frost & Sullivan. Europe, the Middle East and Africa are expected to maintain fast growth with further increases in the adoption rate while the U.S. market will be driven by replacement.

The following chart illustrates the historical and projected changes in the breakdown of global action camera shipments by geography from 2011 to 2019:

Global Action Camera Shipments by Geography, 2011-2019E



Source: Frost & Sullivan

Note:

(1) The data for 2010 is not available.

INDUSTRY OVERVIEW

Key Drivers for the Action Camera Market

The market size for action cameras globally is expected to continue to grow steadily between 2015 to 2019, according to Frost & Sullivan. The key drivers for the market growth are:

- *Easy-to-carry functionality.* Action cameras can be as small as a matchbox and weigh under 200 grams, making them more convenient to carry than traditional cameras. Despite being small, action cameras do not compromise on functionality and most action cameras on the market can shoot 1080p high-definition video and some are even capable of 4K video. New generations of action cameras often have add-ons that allow for Wi-Fi and other functions which link up the action camera to users' other devices.
- *First-person imaging experiences.* Action cameras are designed to shoot videos with first-person perspectives, which gives viewers a personal perspective into activities such as surfing, rock climbing and skiing.
- *Hands-free operation.* Shooting videos with an action camera is more user friendly than with traditional cameras which require a person to hold and operate the camera, or fix it to a particular camera mount. Action cameras are designed to be operated hands-free and can manage high-definition continuous captures and self-shoots even in fast action situations, which enhances user experience.
- *Surging social networking demand.* Social networking has become indispensable in people's daily life and people tend to share their lives via social media platforms. The development of social media allows people to easily post short videos, which provides motivation for users to create and share engaging videos.

Key Entry Barriers for the Action Camera Market

Key barriers to entry into the market for action camera brand owners are:

- *Brand loyalty.* The leading brand has created the culture surrounding action cameras and established a large, loyal customer base over the years. New entrants would only be able to break through by either upgrading their hardware or offering a lower price.
- *Value chain barrier.* New entrants face the difficulty of establishing a distribution network, cultivating relationships with quality suppliers and other problems associated with creating a network. It may take several years to fully establish a chain of suppliers and distributors.
- *Cloud service.* Brand owners are increasingly investing in cloud computing to expand the media functions of action cameras by offering cloud services which, in turn, increase the end customers' brand loyalty. This requires additional investment in infrastructure and professional personnel which creates barriers to entry for new entrants.

Key barriers to entry into the market for action camera manufacturers are:

- *Capital investment.* Action cameras are part of the electronic manufacturing industry which requires considerable capital investment in plant and equipment. Equipment used in the manufacturing processes, such as modelling, surface-mounting and testing, are precise instruments which require certain capital investment.
- *Research and development capabilities.* Strong research and development capabilities are required during the manufacturing process, such as moulding, imaging and software and hardware testing. Research and development is also needed to keep pace with new innovations and upgrades in key components such as DSPs and sensors. Software development capabilities also create an entry barrier as products require more sophisticated software applications.
- *Customer relationship.* Existing manufacturers have established stable customer relationships with brand owners in the action cameras industry through years of cooperation. Brand owners in the market are mostly global companies who have a strict partner selection process. New entrants would need to break through an existing relationship before becoming a qualified partner.

INDUSTRY OVERVIEW

Raw Materials, Components and Parts

With respect to mid to high-end action cameras priced over US\$250 each, the majority of the cost of raw materials, components and parts is attributable to processors and sensors. The following table illustrates the historical and projected price range of certain components and parts for mid to high-end action cameras from 2012 to 2017:

	2012	2013	2014	2015E	2016E	2017E
				US\$		
Processor	6.0 – 12.0	5.4 – 11.8	6.4 – 12.5	7.0 – 13.0	6.8 – 13.0	6.7 – 13.2
Sensor	5.5 – 10.0	5.0 – 9.7	5.2 – 10.0	5.4 – 10.8	5.3 – 10.6	5.3 – 10.5
Lens	4.0 – 5.0	3.9 – 5.0	3.8 – 5.0	3.8 – 5.0	3.6 – 4.8	3.6 – 4.9

Source: Frost & Sullivan

COMPETITIVE LANDSCAPE

Action Camera Brands

The action camera market has a few major players who account for the majority of the market. According to Frost & Sullivan, in 2014, the top three action camera brands accounted for approximately 80% of the action camera market in terms of shipments.

GoPro

GoPro is a NASDAQ-listed U.S. company engaged in developing and selling cameras, in particular for the action sports markets. They launched their first high-definition camera in 2009 and have become a major camera brand in terms of 2014 shipments according to Frost & Sullivan. In 2014, GoPro shipped approximately 5.2 million camera units that were sold together with a combination of a waterproof housing, a battery, selected mounts and other accessories, depending on the model. According to The NPD Group's Retail Tracking Service, GoPro was the number one selling camcorder (by dollars and units) in the United States in 2013 and their cameras represented a 45% share of the U.S. camcorder market (by dollars) in 2013. According to Frost & Sullivan, in 2014, GoPro's camera shipments accounted for approximately 33.3% of global digital camcorder shipments in 2014.

GoPro's revenue increased at a CAGR of 62.8% from US\$526.0 million in 2012 to US\$1,394.2 million in 2014 and its cost of revenue increased at a CAGR of 60.3% from US\$298.5 million in 2012 to US\$767.0 million in 2014. GoPro outsources manufacturing to two principal manufacturers, including our Group, and shipped approximately 2.3 million, 3.8 million and 5.2 million camera units in 2012, 2013 and 2014, respectively. Our shipments of action cameras to GoPro totalled approximately 1.6 million, 1.4 million and 2.2 million units, representing approximately 69%, 37% and 42% of the units shipped by GoPro in the respective years. The decrease in shipments of action cameras from 2012 to 2013 was primarily due to reduced orders from GoPro as they shifted production of certain new models to a different supplier.

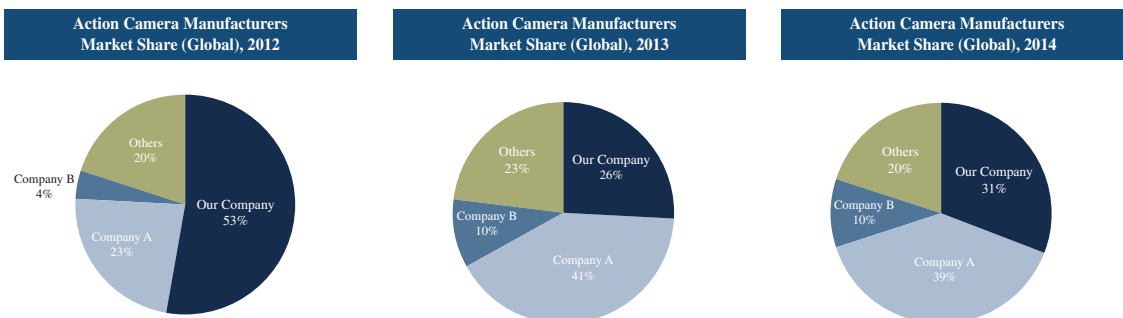
Other Major Brands

In recent years, more brand companies, including major established electronics brands, have entered the market. In particular, iON, a U.S.-based action camera company, and Sony have introduced a variety of PoV camcorders. According to Frost & Sullivan, iON and Sony have become two well-established action camera brands with approximately 0.2 million and 0.8 million units of action cameras shipped in 2014. Market competition is likely to increase as more international and regional brands are entering, or are expected to enter, the action camera market.

INDUSTRY OVERVIEW

Action Camera Manufacturers

As new brands enter the action camera market, many partner with manufacturers to introduce new products. The following charts show the market share of major action camera manufacturers by global shipments from 2012 to 2014:



The major manufacturers for the action camera industry globally include JDM/ODM manufacturers, such as our Company, and OEM and own brand manufacturers from China, Taiwan and Japan. According to Frost & Sullivan, we ranked second by market share in each of 2013 and 2014 and ranked first in 2012. We also ranked first in terms of aggregate shipments of action cameras from 2010 to 2014 among action camera manufacturers worldwide. The three largest manufacturers together accounted for more than 75% of global action camera shipments in each of 2012, 2013 and 2014.

The following table shows the global shipments of major action camera manufacturers from 2010 to 2014:

	2010	2011	2012	2013	2014	Aggregate 2010 – 2014
	<i>Million units</i>					
Our Company	0.4	1.1	1.6	1.5	2.4	7.1
Company A ⁽¹⁾	–	–	0.7	2.4	3.0	6.1
Company B ⁽²⁾	–	–	0.1	0.6	0.8	1.5
Others	–	0.3	0.6	1.4	1.6	3.9
Total	0.4	1.4	3.1	6.0	7.7	18.6

Source: Frost & Sullivan

Notes:

- (1) Company A is a large OEM manufacturer and a leading provider of keyboards, webcams and camera modules for laptops. It has rapidly developed its action camera business since 2012 and is a principal manufacturer for GoPro.
- (2) Company B is an own brand manufacturer and a leading manufacturer of electronic products for the global consumer and professional markets.

Traditional Digital Cameras

Market demand for traditional digital cameras has been negatively affected by the increased adoption of smartphones in recent years. According to Frost & Sullivan, global digital camera shipments peaked at 138.6 million units in 2010 as brand owners initiated aggressive sales promotions. A significant decline in demand began to be recorded in 2012, with global digital camera shipments decreasing at a CAGR of -24.4% from 2010 to 45.4 million units in 2014, according to Frost & Sullivan. It is expected that users are getting increasingly accustomed to using smartphones to capture images, which will continue to adversely affect the demand for traditional digital cameras.

The traditional digital camera market is relatively consolidated and is largely led by Japanese companies as the largest digital camera brands. According to Frost & Sullivan, Japanese brands captured more than 70% of the global digital camera market in 2014. Most Japanese brands produce their high-end products domestically in Japan and have their medium and low-end products manufactured in China and Taiwan. Taiwanese manufacturers are the largest digital camera manufacturers to which digital camera brands outsource the manufacturing of their products.

INDUSTRY OVERVIEW

With the declining market trends for traditional digital cameras, both brand owners and manufacturers are seeking growth by expanding their product lines to include a wider array of digital imaging products based on their respective core competency, among other factors.

THE GLOBAL IP CAMERA MARKET

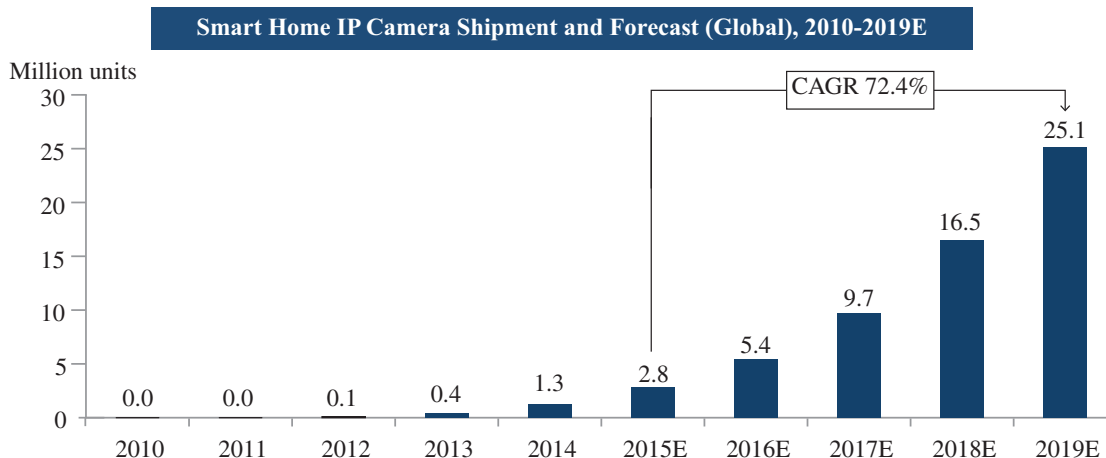
Overview

IP cameras are a type of digital video camera which is usually employed for surveillance and can transmit data through a computer network and the internet, without the need to be connected to other devices. These include IP cameras for indoor and outdoor use, and smart home IP cameras and commercial building IP cameras.

Global Shipments

Higher definition, better storage and connectivity have contributed to the market growth of IP cameras. In particular, the smart home IP camera market boomed from 2010 to 2014. Users are buying smart home IP cameras for home surveillance, as well as child care and elder care. With higher definition and interaction with smart devices, smart home IP cameras are expected to enjoy strong growth in the near future. According to Frost & Sullivan, global smart home IP camera shipments are projected to grow at a CAGR of 72.4% from 2015 to 2019 with shipments in 2019 forecasted to reach approximately 25.1 million units.

The following chart illustrates the historical and projected changes in global smart home IP camera shipments from 2010 to 2019:



Source: Frost & Sullivan

Key Drivers for the Smart Home IP Camera Market

The market size for smart home IP cameras globally is expected to continue to grow between 2015 to 2019, according to Frost & Sullivan. The key drivers for the market growth are:

- *Demand increase.* Consumers are increasingly paying more attention to home surveillance and frequent home monitoring. Smart home IP cameras enable users to directly view and monitor their family and homes which will appeal to safety-conscious consumers.
- *Technology maturity.* Major players in the IP camera industry are investing in smart home IP cameras. Furthermore, related technologies such as signal transmission and data storage are sufficiently mature to support smart home devices.
- *Affordable price.* The cost of components for smart home IP cameras is expected to continue to decrease, thus allowing for potential reduction of the average selling price of smart home IP cameras and making the product more affordable to a wider market.

INDUSTRY OVERVIEW

Key Entry Barriers for the Smart Home IP Camera Market

Key barriers to entry into the smart home IP camera market are:

- *Technology requirements.* Manufacturing smart home IP cameras requires extensive technological expertise and research and development capabilities. Moreover, smart home IP cameras require more stability and greater safety measures than those used for general commercial buildings.
- *Channel barrier.* The smart home IP camera market relies heavily on channel operation since the end consumers are generally individuals buying through retailers or e-commerce establishments. Furthermore, equipment maintenance also requires further channelling. As such, entrants need to build a number of key relationships to form the required channels.
- *Talent barrier.* The smart home IP camera industry is knowledge-intensive requiring considerable research and development and design capabilities. New entrants need to cultivate a talent pool that is experienced in a wide range of technical abilities.
- *Algorithm and cloud service.* Smart home IP cameras are increasingly developed to be used as a part of an ecosystem with systematic service. A highly professional algorithms for analysing images will be the foundation of future service, commanding greater programming and infrastructure requirements which would take time to build up. Furthermore, the cloud computing technology will be increasingly deployed for uploading of data.

THE GLOBAL SMART WEARABLE DEVICE MARKET

Overview

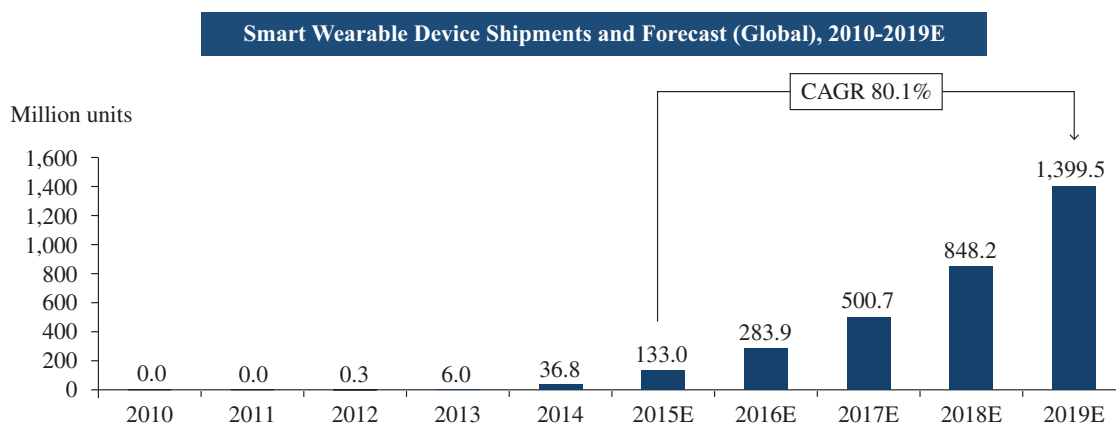
Wearable devices are electronic devices that are easily worn on the user's body with smart functions to analyse and share information across devices. Smart wearable devices represent an entirely new product category incorporating sensors and computing on an individual user's body. By interacting with the wearer or other devices, a smart wearable device is used to accomplish certain purposes such as payment, entertainment and health monitoring. Some smart wearable devices focus on athletic performance, allowing users to track their exercise routine, monitor health data and share their experiences on social networks.

Global Shipments

Positioned as the beginning of an even bigger change in behaviour and culture than smartphones and tablets, smart wearable devices are believed to be one of the fastest growing consumer products. According to Frost & Sullivan, global smart wearable device shipments began with approximately 0.3 million units shipped in 2012 and are expected to grow considerably at a CAGR of 80.1% from 2015 to 2019 with approximately 1.4 billion units to be shipped in 2019.

INDUSTRY OVERVIEW

The following chart illustrates the historical and projected changes in global smart wearable device shipments from 2010 to 2019:



Source: Frost & Sullivan

Since the inception of the smart wearable devices market in 2012 with smart watches and smart glasses, an increasing number of new entrants have broken through with various other kinds of wearable devices such as bands and rings.

Key Drivers for the Smart Wearable Device Market

The market size for smart wearable devices globally is expected to grow significantly between 2015 to 2019, according to Frost & Sullivan. The key drivers for the market growth are:

- *Capital support.* Smart devices have been a popular investment area for years and smart wearable devices are enjoying increasing capital support as more investors are becoming interested in the industry. Capital from technology companies and investors are flowing into this industry which will drive growth.
- *Increasing demand.* Consumers are paying more attention to health and athletics. The market for smart wearable devices will grow with this trend as it offers consumers a convenient, portable method of tracking their health.
- *Value chain technology maturity.* The smart wearable device value chain comprises a number of technologies, including hardware components, operating systems and software. Hardware components such as chipsets, optical modules and sensors have fully developed with the increasing adoption of smartphones. Similarly, operating systems and software development have been maturing technically to keep pace with smartphone development. As such, these technologies are now sufficiently mature to support the fast-growing progress of other smart devices, such as smart wearable devices.

Key Entry Barriers for the Smart Wearable Device Market

The key barriers to entry into the smart wearable device market are:

- *Technology barrier.* Smart wearable device manufacturing is more complicated than just the assembly of hardware components. Integration of hardware and software elements and compatibility across devices create an entry barrier. Additionally, software development and rapidly changing trends in technology adoption also create difficulties.
- *Consumer relationship.* The first entrants in the smart wearable device industry will have the advantage of building their own loyal customer base but doing so requires considerable time, money and resources.
- *Algorithm and data service.* Algorithms form the basis for data analysis and thus are essential to smart device vendors. In order to offer data services, new entrants must be able to data mine sufficient information to support their services, such as social networking information or health advice. Entrants also need to build up their data analysis abilities by either establishing an in-house team or partnering with professional agencies who can support data services.

REGULATORY OVERVIEW

We are subject to a wide range of governmental laws and regulations in the PRC and, to a lesser extent, in Hong Kong. Set out below is a summary of the types of PRC and Hong Kong laws and regulations that have significant impact on our operations, which is prepared with the objective to provide investors with a brief overview of the key laws and regulations applicable to us. This summary does not purport to be a complete description of all the laws and regulations which are applicable to our business and operations or which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as of the date of this prospectus, which may be subject to change.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Our Industry

The Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the “**Foreign Investment Catalogue**”) was jointly promulgated by MOFCOM and the NDRC and was last amended on 10 April 2015. The Foreign Investment Catalogue divides industries into four categories according to the extent foreign investors may invest in such industries. The first three categories are “encouraged,” “restricted” and “prohibited” and all industries not listed under any of these categories are deemed to be “permitted.” The industry in which our PRC subsidiaries are primarily engaged does not fall into the category of “restricted” or “prohibited” industries.

Wholly Foreign-Owned Enterprises

Pursuant to the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) (the “**WFOE Law**”), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Rules on Implementation of the WFOE Law (《中華人民共和國外資企業法實施細則》), which was promulgated on 12 December 1990 and last amended on 19 February 2014, the ratio between the registered capital of a wholly foreign-owned enterprise (“**WFOE**”) and its total amount of investment must meet the applicable requirements stipulated by the relevant regulations of the PRC, and the difference between its registered capital and total amount of investment shall be the amount of foreign debts that the WFOE is permitted to borrow from its foreign investors or other foreign institutions and individuals. Furthermore, any newly incorporated WFOE is required to complete foreign exchange registration with the competent foreign exchange authority after the WFOE obtains its business licence.

PRC LAWS AND REGULATIONS RELATING TO OUR BUSINESS

Product Quality

The quality of products produced or sold in the PRC is governed by the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated on 22 February 1993 and amended on 8 July 2000 with the aim to regulate the supervision of product quality as well as setting out the liabilities for non-compliance with the law. Pursuant to this law, all producers and sellers in the PRC must establish and improve their internal system for product quality control and strictly apply the quality standards at the workplace, the quality responsibility system and the related check measures. Producers are liable for the quality of the products they produce. Where anyone produces or sells products that do not comply with the relevant national or industrial standards safeguarding the health and safety of persons and property, the relevant authority may order such person to suspend the production or sales, confiscate the products, impose a fine of an amount higher than the value of the products and less than three times of the value of the products, confiscate illegal gains (if any) as well as revoke the business licence in severe cases. Where the activities constitute a crime, the offender will be prosecuted for criminal liability. As all of our products are manufactured in China and some are sold in the domestic market, our operations are governed by the Product Quality Law and related regulations. In addition, if our products are defective and cause personal injuries or other form of torts, we may be subject to civil lawsuits against us and liable for damages in tort.

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Work Safety

The Work Safety Law of the PRC (《中華人民共和國安全生產法》) was promulgated on 29 June 2002 and last amended on 31 August 2014 and is applicable to the work safety of entities engaged in production and other business activities in the PRC (“**business entities**”). Pursuant to this law, business entities must have in place a policy concerning the conditions for work safety as required by this law and other relevant laws and regulations, as well as national and industrial standards. Any business entity that does not have a policy in place is prohibited from engaging in production and other business activities. Business entities must also offer education and training to employees regarding work safety to ensure that they have necessary work safety knowledge, are familiar with the relevant work safety policies and rules and safe operating procedures, possess the safe operating skills for their respective positions, know the emergency response measures for accidents, and are informed of their rights and obligations in work safety. Employees who fail the education and training programme on production safety may not commence working in their positions.

Further, safety equipment must be designed, manufactured, installed, used, tested, maintained, improved, and retired in accordance with national or industry standards. Business entities must provide their employees with labour protection products meeting the national or industry standards, and supervise and educate their employees on wearing or using such products in accordance with the rules of use.

Filing and Registration of Foreign Trade Business Operators

The Foreign Trade Law of the PRC (2004 Amendment) (《中華人民共和國對外貿易法(2004年修訂)》), which was promulgated on 6 April 2004 and became effective on 1 July 2004, requires any foreign trade business operators engaged in the import and export of goods or technologies to file and register with the administrative department of foreign trade of the State Council or the institutions entrusted thereby, unless it is otherwise provided for by any law, regulation or the administrative department of foreign trade of the State Council. In the event that a foreign trade business operator fails to complete the filing and registration in accordance with the relevant provisions, local customs may refuse to accept or handle the procedures for customs declarations and release of the import or export goods. Accordingly, Sky Light Technology (HY) and Sky Light Shenzhen must fulfil the foregoing filing and registration requirements as foreign trade business operators.

Registration for Customs Declaration

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》), which was promulgated on 22 January 1987 and last amended on 28 December 2013, consignors or consignees of imported or exported goods and customs declaration enterprises must register with the Customs offices. Engaging in customs declaration without such registration is prohibited.

Pursuant to the Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) (the “**Customs Provisions**”), which were promulgated and became effective on 13 March 2014, customs declaration entities must register with the Customs in accordance with these provisions unless otherwise prescribed by any law, regulation or rule. The registration of declaration is divided into registration for consignors and consignees of imported or exported goods and registration for customs declaration enterprises. A consignor or consignee of imported or exported goods must make customs declaration through its own customs declarers or a registered customs declaration enterprise. As Sky Light Technology (HY) and Sky Light Shenzhen engage in customs declaration for import of raw materials and export of goods, these subsidiaries must fulfil the registration requirements of the Customs Provisions.

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Inspection of Imported and Exported Goods

Pursuant to the Law on Inspection of Imported and Exported Goods of the PRC (《中華人民共和國進出口商品檢驗法》), which was promulgated on 21 February 1989 and last amended on 29 June 2013, and the Regulation for the Implementation of the Law on the Inspection of Imported and Exported Goods of the PRC (《中華人民共和國進出口商品檢驗法實施條例》), which was promulgated on 10 August 2005 and became effective on 1 December 2005, the General Administration of Quality Supervision, Inspection and Quarantine is responsible for issuing a catalogue of imported and exported goods that are subject to compulsory inspection. According to the Catalogue of Imported and Exported Goods under Inspection and Quarantine (2014) (《出入境檢驗檢疫機構實施檢驗檢疫的進出境商品目錄(2014年)》), the import of raw materials and export of products by Sky Light Technology (HY) and Sky Light Shenzhen are not subject to compulsory inspection.

Export Licence

According to the Regulation on the Administration of Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》), which was promulgated on 10 December 2001 and became effective on 1 January 2002, and the Measures for the Administration of Export Licence of Goods (《貨物出口許可證管理辦法》), which were issued by MOFCOM on 7 June 2008 and became effective on 1 July 2008, the PRC adopts a uniform export licence system and enforces export licence administration on goods that are subject to export restrictions. According to the Catalogue of Goods Subject to Export Licence Administration for 2014 (《2014年出口許可證管理貨物目錄》) issued by MOFCOM and the General Administration of Customs, the export of products by Sky Light Technology (HY) and Sky Light Shenzhen is not subject to such licensing requirements.

Pricing of Products

The Pricing Law of the PRC (《中華人民共和國價格法》), which was promulgated on 29 December 1997 and became effective on 1 May 1998, is applicable to pricing behaviours of business operators and government entities in the PRC. This law governs the mechanism of regulation of prices of all kinds of merchandise and prices of all kinds of services. In marketing and purchasing merchandises or providing services, business operators should clearly mark the related prices; specify names, places of origin, specifications, grades, price units, prices of items, fee collection standards and other related information according to the government's regulations. Business operators must not sell merchandises at prices above the marked prices or collect any unspecified fees.

Consumer Protection

The Law on Protection of Consumer Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》), which was promulgated on 31 October 1993 and last amended on 25 October 2013, provides that a business operator providing goods or services to consumers is subject to a number of requirements, including the following:

- ensuring that the goods or services meet certain safety requirements;
- disclosing serious defects of any goods or services and adopting preventive measures against damage occurrence;
- providing consumers with accurate information and refraining from conducting false advertising;
- refraining from setting unreasonable or unfair terms for consumers or releasing itself from civil liability for harming the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices or other means; and
- refraining from insulting or slandering consumers or conducting searches on consumers or their personal belongings or infringing their personal freedom.

REGULATORY OVERVIEW

Business operators may be subject to civil liabilities for failing to meet the obligations provided for under this law. These liabilities include restoring the consumer's reputation, eliminating the adverse effects suffered by the consumer, and offering an apology and compensation for any loss incurred. Business operators in violation of these obligations are subject to penalties including issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operations, revocation of business licence or imposition of criminal liabilities for violations that constitute a crime.

PRC LAWS AND REGULATIONS RELATING TO REAL ESTATE

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), which was promulgated on 25 June 1986 and last amended on 28 August 2004, and the Regulation for the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) (collectively, the “**Land Administration Law and Regulation**”), which was promulgated on 27 December 1998 and amended on 8 January 2011, land in the PRC is classified into two categories in respect of ownership, namely state-owned land and collectively-owned land, and into three categories in respect of usage, namely land for agriculture use, land for construction use and unused land. Any entity or individual engaged in construction activities must construct on state-owned land except as otherwise provided by the Land Administration Law and Regulation. Collectively-owned land cannot be granted, assigned or leased for construction use that is unrelated to agriculture unless otherwise permitted by the Land Administration Law and Regulation, such as the use of land that is owned by farmer collectives and used by collective economic organisations for establishing local enterprises or building residential housing, or the use of land owned by farmer collectives permitted by law for construction of township public facilities or for public welfare projects. Changes of land use must go through the land alteration registration procedures and be approved by the competent government authority. In addition, pursuant to the Measures for Administration of Transfer of Land Use Rights for Collectively-Owned Land for Construction Use in Guangdong Province, collectively-owned land must be used in accordance with the approved purposes stated in the land permits issued by the municipal and county-level governments. Changing the usage of collectively-owned land without approval may cause the revocation of the land use right for such collectively-owned land.

Pursuant to the Urban Real Estate Law and the Measures for Administration of Leases of Commodity Properties (《商品房屋租賃管理辦法》), which were promulgated on 1 December 2010 and became effective on 1 February 2011, the parties to a lease of a real estate property are required to enter into a lease contract in writing. When a lease contract is signed, amended or terminated, the parties must file and register the details in 30 days with the competent real estate administration authority in the place in which the property is located.

PRC LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated on 12 March 1984 and last amended on 27 December 2008, the State Intellectual Property Office is responsible for administering patents for inventions, utility models and designs in the PRC. The patent administration departments of provincial, autonomous region and municipal governments are responsible for administering patents within their respective jurisdictions. The PRC patent system has adopted a “first come, first file” principle with respect to patent registration, which means, where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, an invention or utility model must meet the three criteria of novelty, inventiveness and practicability and a design must have distinctive features and not be attributable to any existing design. A patent is valid for twenty years in the case of an invention and ten years in the case of a utility model and design. A third party must obtain the consent or licence from the patent owner to use the patent, or such use will otherwise constitute an infringement of the patent rights.

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Trademark

Trademarks in the PRC are protected by the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated on 23 August 1982 and last amended on 30 August 2013, and the Regulation for the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated on 3 August 2002 and amended on 29 April 2014. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for a consecutive ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademark to another party by entering into a trademark licensing contract. Trademark licensing agreements must be filed with the Trademark Office for record. As with patents, the PRC trademark system has adopted a “first come, first file” principle with respect to trademark registration. Where a trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar goods or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated on 7 September 1990 and last amended on 26 February 2010, provides that PRC citizens, legal persons or other organisations shall enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction.

The Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) (the “**Software Copyright Measures**”) regulate the registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration of the PRC is responsible for the administration of software copyright registration in the PRC, under which the Copyright Protection Centre of China is designated as the software registration authority in charge of granting registration certificates to applicants for computer software copyright in accordance with the provisions of the Software Copyright Measures and the Regulation on Protection of Computer Software (《計算機軟件保護條例》).

Domain Name

Pursuant to the Measures for Administration of Internet Domain Names (《中國互聯網絡域名管理辦法》) in the PRC, which were promulgated on 5 November 2004 and became effective on 20 December 2004, the Ministry of Industry and Information Industry (the “**MIIT**”) is responsible for the administration of internet domain names. The PRC domain name system has adopted a “first come, first file” principle. Applicants for registration of domain names must provide true, accurate and complete information relating to their domain names and enter into registration agreements with domain name registration service institutions. An applicant will become the holder of a domain name upon the completion of the registration procedures.

Software Products

The Measures for Administration of Software Products (《軟件產品管理辦法》) (the “**Software Measures**”), which were promulgated on 1 March 2009 and became effective on 10 April 2009, provide that software developers and producers may sell or license their software products independently or through agents, and software products developed in the PRC can be registered with the local provincial government authorities in charge of the software industry and filed with the MIIT. Upon registration, the software products are granted registration certificates which are valid for five years and may be renewed upon expiration. Under policies

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promulgated by the State Council, software products developed in the PRC which satisfy the requirements of the Software Measures and have been registered and filed in accordance with the Software Measures may enjoy certain types of preferential treatment. The MIIT and other relevant departments may supervise and inspect the development, production, sale, import and export of software products in the PRC.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

General

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated on 24 April 2014 and became effective on 1 January 2015, entities that cause environmental pollution and other public hazards must incorporate environmental protection work into their plans, establish an environmental protection responsibility system, and adopt effective measures to prevent and control pollution and other harm caused to the environment by waste gas, wastewater, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities. Any development and utilisation plan without the environmental impact assessment conducted in accordance with applicable laws and regulations may not be implemented and any construction project without the environmental impact assessment conducted in accordance with applicable laws and regulations may not commence construction. Enterprises and other business operators must obtain a pollution discharge licence and must comply with the requirements of their pollution discharge licence in discharging pollutants. Besides, enterprises must prepare an emergency response plan for emergency incidents in accordance with applicable laws and regulations and report the same to the competent department of environmental protection and the relevant departments for record. When an emergency incident occurs or it is believed that an emergency incident may occur, an enterprise must immediately take measures and timely notify all entities and residents that may be harmed and report the incident to the competent department of environmental protection and the relevant departments.

Pursuant to the Regulation on the Administration of Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), which was promulgated on 29 November 1998, and the Law on Assessment of Environment Impact of the PRC (《中華人民共和國環境影響評價法》), which was promulgated on 28 October 2002 and became effective on 1 September 2003, a construction entity engaged in a construction project must submit the required documents for environmental impact assessment to the relevant environmental protection authority for examination and approval. If the construction entity fails to submit such documents in accordance with the applicable PRC laws and regulations or if the documents are not approved after examination by the relevant authority, the construction entity will not obtain the approval for the relevant construction projects and may not commence construction. Furthermore, the environmental protection facilities for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the main part. No permission may be given for a construction project to be commissioned until its installations for the prevention and control of pollution are examined and assessed to be up to standard by the relevant environmental protection authority.

Pollution Caused by Solid Waste

Pursuant to the Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》), which was promulgated on 30 October 2005 and last amended on 29 June 2013, entities and individuals that collect, store, transport, utilise or dispose of solid waste must take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures to prevent such solid waste from polluting the environment.

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Pollution Caused by Electronic Information Products

The Measures for Administration of Control of Pollution Caused by Electronic Information Products (《電子信息產品污染控制管理辦法》), which were promulgated on 28 February 2006 and became effective on 1 March 2007, govern the control and reduction of pollution and other public hazards caused by electronic information products to the environment during the process of production, sale and import of electronic information products in the PRC. Pursuant to these measures, designers, manufacturers and importers of electronic information products must adopt measures to reduce or eliminate the toxic or noxious substances or elements contained in electronic information products, including the following:

- technical measures such as changing the research and design scheme, adjusting the workflow, replacing the materials or modifying the method of production in the process of design or production;
- indicating the names and contents of toxic or noxious substances or elements and indicating the environmental protection use life of the electronic information products in the process of design, production, sale or import;
- strictly limiting the purchase channels or refusing to sell the electronic information products which do not meet the national or industrial standards for the control of toxic or noxious substances or elements of electronic information products in the process of sale; and
- prohibiting the import of electronic information products which do not meet the national or industrial standards for the control of toxic or noxious substances or elements of electronic information products.

Accordingly, designers of electronic information products must design electronic information products in compliance with the national or industrial standards concerning the control of toxic or noxious substances or elements of electronic information products and adopt schemes that are non-noxious and harmless or of low-toxicity and less harmful as well as easily degradable and recyclable while satisfying the technological requirements.

PRC AND HONG KONG LAWS AND REGULATIONS RELATING TO TAXATION

PRC Corporate Income Tax

In 2007, the PRC Government adopted the CIT Law and its implementation rules, which became effective on 1 January 2008. The CIT Law provides that all enterprises in the PRC, including foreign-invested enterprises (“FIEs”), are subject to CIT at a uniform tax rate of 25%.

The CIT Law also provides that enterprises established outside the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and are generally subject to CIT at the uniform tax rate of 25% as to their worldwide income. Under the implementation rules for the CIT Law, “de facto management bodies” is defined as the “establishments that carry out substantial and overall management and control over the production, operation, personnel, accounting, properties, etc. of an enterprise”. On 22 April 2009, the SAT promulgated the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (“**Circular 82**”) with retroactive effect from 1 January 2008, to further provide certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within the PRC, (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organisations or personnel in the PRC, (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in the PRC and (iv) 50% or more of voting board members or senior executives of

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the enterprise habitually reside in the PRC. On 27 July 2011, the SAT issued the Measures for Administration of Income Tax of Chinese-Controlled Resident Enterprises Incorporated Overseas (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) (“**Circular 45**”), which became effective on 1 September 2011, to supplement Circular 82 and other tax laws and regulations. Circular 45 clarifies certain issues relating to resident status determination. However, since there have been no official implementing rules regarding the determination of the “de facto management bodies” for foreign enterprises which are not controlled by the PRC enterprises (such as our Company), there remains uncertainty on how the “de facto management body” test would be applied in our case.

Under the CIT Law and its implementation rules, the PRC income tax at a rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. A lower income tax rate of 5% is applied if the “non-resident enterprises” are registered in Hong Kong or other jurisdiction that have a tax treaty arrangement with China and such “non-resident enterprises” are deemed as “beneficial owners” to those dividends under such tax treaty and the competent PRC taxation authority has approved the application of such beneficial tax rate. On 27 October 2009, the SAT promulgated the Circular on How to Interpret and Recognise the “Beneficial Owner” in Tax Agreements (《國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知》) (“**Circular 601**”), which clarifies that a beneficial owner is a person having actual operation and this person could be an individual, an enterprise or any organisations that are normally engaged in substantive operations. Circular 601 sets forth certain adverse factors to the recognition of a “beneficial owner” and expressly exclude a “conduit company” or any company established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management, from being a “beneficial owner”. On 29 June 2012, the SAT promulgated the Announcement on the Determination of “Beneficial Owner” in Tax Agreements (《國家稅務總局關於認定稅收協定中“受益所有人”的公告》), which further clarifies the explanation and implementation of Circular 601.

In addition, any gain realised on the transfer of equity or shares by a foreign enterprise is also subject to CIT at a rate of 10% if such gain is regarded as income derived from sources within the PRC. On 10 December 2009, the SAT issued the Notice Concerning the Strengthening of Corporate Income Tax Administration with Respect to Equity Transfers by Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“**Circular 698**”), which became effective retroactively as of 1 January 2008 and was amended on 12 December 2013. On 3 February 2015, the SAT issued the Announcement of the State Administration of Taxation on Certain Issues Concerning the Corporate Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**SAT Announcement 7**”). SAT Announcement 7 annulled and replaced the relevant provisions of Circular 698 regarding the indirect transfer of equity interests in a PRC resident enterprise. Pursuant to SAT Announcement 7, if a non-PRC resident enterprise transfers its equity interests of an offshore enterprise which directly or indirectly owns PRC properties (“**taxable properties**”) by conducting arrangement without any reasonable commercial purpose, such transfer shall be deemed as a direct transfer of taxable properties. Factors that may be taken into consideration when determining whether there is a “reasonable commercial purpose” include the value constitution of the transferred equity, offshore taxable situation of the transaction, the offshore structure’s economic essence and duration, and trading fungibility, among others.

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PRC Value Added Tax

Pursuant to the Interim Regulation on Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was amended on 5 November 2008 and became effective on 1 January 2009, all entities and individuals in the PRC engaging in the sale of goods, the provision of processing services, repair and replacement services and the importation of goods are required to pay value-added tax (“VAT”) as prescribed by this regulation. Any VAT exemption and reduction shall be prescribed by the State Council save for those provided under Article 15.

Pursuant to the Notice of the Ministry of Finance and the SAT on VAT and Consumption Tax Policies for Exported Goods and Labour Services (《財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知》), which was promulgated on 25 May 2012 and became effective on 1 November 2011, and the Circular on Tax Exemption on Processing Supplied Materials and Imported Materials by Foreign-Invested Enterprises (《關於外商投資企業來料加工、進料加工的免稅的通知》), which was promulgated on 10 October 2000, as well as other relevant policies, goods exported by export enterprises are exempted from VAT. Goods and materials which are imported by FIEs into the PRC for use in manufacturing products are also exempted from VAT. VAT is also exempted for finished goods and processing fees for export. Accordingly, products exported overseas by Sky Light Technology (HY) and Sky Light Shenzhen are entitled to the above tax exemptions.

PRC Customs Duty

Pursuant to the Regulation on Import and Export Duties of the PRC (《中華人民共和國進出口關稅條例》), which was promulgated on 23 November 2003, amended and became effective on 7 December 2013, all goods permitted to be imported into or exported out of PRC are subject to payment of customs duties on imports or exports unless otherwise provided for by the State Council. According to the relevant provisions, customs duties and product tax (or VAT) shall be exempted for materials imported for use in the processing of products for export. In addition, finished products shall also be exempted from export duties.

PRC Stamp Duty

Pursuant to the Provisional Rules on Stamp Duty of the PRC (《中華人民共和國印花稅暫行條例》), which were promulgated on 6 August 1988 and became effective on 1 October 1988, all businesses and individuals which conclude or receive any of the following documents are liable to pay stamp duty: (i) documents issued for purchase and sale transactions, process contracting, property leasing, transportation of goods, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature; (ii) documents relating to the transfer of property title; (iii) business books of account; (iv) documentation of rights or licences; and (v) other documents determined by the Ministry of Finance to be taxable.

PRC Transfer Pricing

According to the CIT Law and its implementation rules and the Measures for Implementation of Special Tax Adjustments (Trial) (《特別納稅調整實施辦法(試行)》) promulgated by the SAT, business transactions between an enterprise and its related parties shall follow the arm’s length principle and an enterprise which has engaged in related party transactions is generally required to submit to the relevant PRC tax authority an annual reporting statement of PRC enterprise on business transactions with related parties (《中華人民共和國企業年度關聯業務往來報告表》) and the relevant contemporaneous information relating to such transactions (同期資料). In case of a failure to follow such principle which results in a reduction of taxable income, the PRC tax authority may make reasonable adjustments to the determination of taxable income. According to the CIT Law, business transactions between related parties may be subject to audit or scrutiny by the PRC tax authority within ten years after the taxable year when the business transactions are conducted. If the relevant PRC tax authority determines that the related party transactions have not been conducted on an arm’s length basis, it may adjust the amount of taxable income through a

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transfer pricing adjustment, impose additional taxes on the relevant enterprise, and require interest payment for the tax recovery period beginning from June 1 of the year subsequent to the applicable tax year to the date of payment of the additional taxes. The interest shall be computed at the benchmark Renminbi lending interest rate announced by the People's Bank of China as at the end of the tax year in respect of the additional tax amount for a given tax year plus five percentage points. The five percentage points could be waived if the taxpayer has submitted all requisite materials, including the relevant contemporaneous information relating to related party transactions, to the relevant PRC tax authority in accordance with the Measures for Implementation of Special Tax Adjustments (Trial).

Hong Kong Transfer Pricing

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) and the comprehensive double taxation agreements (the “DTAs”) concluded between Hong Kong and other countries or territories, including the PRC, provide for the laws and regulations governing transfer pricing for enterprises resident in Hong Kong. The DTAs contain provisions mandating the adoption of the arm's length principle for pricing transactions between associated enterprises. The arm's length principle uses the transactions of independent enterprises as a benchmark to determine how profits and expenses should be allocated for the transactions between associated enterprises. The basic rule for DTA purposes is that profits tax charged or payable should be adjusted, where necessary, to reflect the position which would have existed if the arm's length principle had been applied instead of the actual price transacted between the enterprises.

In March 2012, the Inland Revenue Department issued Departmental Interpretation and Practice Notes No. 48 to provide guidance for enterprises seeking an advance pricing agreement, a voluntary mechanism which enable enterprises to reach agreement with the Inland Revenue Department on the method of applying the arm's length principle to deal with transfer pricing issues in advance.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

Pursuant to the Rules for Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which were amended on 5 August 2008, Renminbi is freely convertible for current account items, including the distribution of dividends payments, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is still generally subject to SAFE's approval or verification.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated on 20 June 1996 and became effective on 1 July 1996, FIEs, including WFOEs, may only buy, sell or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining SAFE's approvals.

On 29 August 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業資本金支付結匯管理的有關業務操作問題的通知》) (“Circular 142”). Circular 142 stipulates that the registered capital of an FIE may only be used for the purpose within its approved business scope and shall not be used for equity investment within the PRC. On 4 August 2014, SAFE published the Notice on Relevant Issues Regarding the Pilot Project of the Reform on the Administration Mode for the Conversion of Registered Capital in Foreign Currency in Certain Areas (《關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) and relieved certain restrictions under Circular 142 as described above on specially designated areas. Effective from 1 June 2015, Circular 142 will be repealed by the Circular of SAFE on the Reform of Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯

REGULATORY OVERVIEW

資本金結匯管理方式的通知》) (“**Circular 19**”) issued by SAFE in March 2015. Circular 19 stipulates that the voluntary settlement of foreign exchange capital funds for FIEs will be implemented. This means that the foreign exchange capital funds in an FIE’s capital account, which have been recognised by the local foreign exchange bureau as the interests of monetary capital contributions or registered with the relevant bank as monetary capital contributions, can be settled in banks according to such FIE’s actual business operation requirements. The provisional percentage for the voluntary settlement of foreign exchange capital funds for FIEs is 100%. SAFE may adjust the aforesaid percentage according to the level of the balance of international payments. Furthermore, Circular 19 facilitates domestic equity investments by FIEs with funds from the settlement of foreign exchange capital. As a new regulation, Circular 19 will be subject to interpretation and application by the relevant PRC authorities.

Pursuant to the Circular on Relevant Issues Concerning Foreign Exchange Administration of Offshore Investment and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”), which was promulgated by SAFE and became effective on 14 July 2014, a PRC individual resident must register with the local SAFE branch before he or she contributes assets or equity interests in an offshore special purpose vehicle that is directly established or controlled by such PRC resident for the purpose of conducting investment or financing. In addition, following the initial registration, the PRC individual resident must register with the local SAFE branch for any major change in respect of the offshore special purpose vehicle, including a change in its PRC resident shareholder, name of the offshore special purpose vehicle, term of operation, or any increase or reduction of its registered capital, share transfer or swap, merger or subdivision, or other similar significant change or development. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

PRC LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

The Labour Law of the PRC (《中華人民共和國勞動法》) was promulgated on 5 July 1994 and amended on 27 August 2009. The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) was promulgated on 29 June 2007 and amended on 28 December 2012. The Regulation for the Implementation of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》) was promulgated and became effective on 18 September 2008. These laws and regulation govern the establishment of employment relationships between employers and employees, as well as the conclusion, performance, termination and amendment of employment contracts. To establish an employment relationship, a written employment contract must be signed. In the event that no written employment contract is signed at the time of the establishment of an employment relationship, a written employment contract must be signed within one month of the date on which the employer first engages the employee.

Pursuant to applicable PRC laws, rules and regulations, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and became effective on 1 July 2011, the Several Provisions on Implementation of the Social Insurance Law of the PRC (《實施《中華人民共和國社會保險法》若干規定》), which were promulgated and became effective on 1 July 2011, and the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated on 3 April 1999 and amended on 24 March 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to rectify the deficit within a stipulated time limit. If a company fails to pay social insurance premiums within the time period specified by the authorities, a daily fine of 0.05% on any delinquent payments may be imposed on it. If a company fails to make such payments on time, it may be liable to a fine equal to one to three times the amount of outstanding contributions. In the event that a company fails to pay housing provident fund, within the time period specified by the relevant PRC authorities, the company may be subject to a fine ranging from RMB10,000 to RMB50,000. If a company still fails to make overdue contributions, such relevant PRC authorities may apply to court for compulsory execution.

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U.S. LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY

With respect to product liability, products sold in the U.S. are generally subject to both statutory and common law liability.

Statutory claims would likely come in the form of claims brought under relevant consumer protection laws. Common law claims are generally made under three categories: (i) negligence claims; (ii) strict liability claims; and (iii) breach of warranty claims. Negligence claims are based on the notion that a product supplier has a duty of care to ensure the safety of its products but breaches that duty. Strict liabilities claims are related to the notion that certain products are inherently dangerous and their suppliers should be liable for an injury caused by a defective product without regard to duty or fault. Breach of warranty claims, to the extent not disclaimed, would be based upon goods not being as should be expected at the time the sale occurs, whether or not the defect is apparent.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

Prior to the establishment of our Group, Mr. Tang Wing Fong Terry, our Chairman, our chief executive officer and an executive Director of our Company, co-founded our predecessor companies, Techsystem Manufacturing Limited and Sky Light Industrial Limited, to primarily engage in the business of assembling and selling disposable cameras. Neither of these predecessor companies held any direct or indirect equity interest in any of the companies within our Group, or vice versa. In light of their different product focus compared to the product offerings of our Group, these predecessor companies did not form part of, and remained separate from, our Group both before and after the Reorganisation. The head office of these predecessor companies was established in Hong Kong. In 2000, a factory was established in Shenzhen, Guangdong to conduct the assembly of disposable cameras, which subsequently became the production facility for our current business in Shenzhen.

In 2003, we began to engage in the development of traditional digital cameras. With a view to expanding our digital imaging product offerings, Mr. Tang established Sky Light Digital and Sky Light HK in 2005 and 2006, respectively, using his own capital, each of which is currently a wholly-owned subsidiary of our Group. We commenced shipment of cameras to GoPro in 2006 and have been successful in developing and manufacturing a selection of action camera products and other digital imaging products over the years. Our business has since shifted to the development and manufacture of action cameras and other digital imaging products while we ceased to assemble disposable cameras. Techsystem Manufacturing Limited and Sky Light Industrial Limited were subsequently dissolved in 2013.

In recent years, we have begun to pursue new product planning in the fast-growing home imaging and smart wearable markets. We commenced shipment of cloud camera, our first home imaging product, in the third quarter of 2014 and expect to begin shipment of smart wearable products by June 2015.

The major milestones and achievements in our business are set out below:

Year	Milestone and achievement
2000	Our first production facility was established in Shenzhen, Guangdong
2003	We commenced shipment of traditional digital cameras
2005	Our Group was founded with the incorporation of Sky Light Digital in Hong Kong
2006	We commenced shipment of cameras to GoPro
2010	Our second production facility was established in Heyuan, Guangdong We commenced shipment of portable scanners
2013	Our Company was incorporated in the Cayman Islands We established a research and development centre in the Shenzhen Hi-Tech Industrial Park We were accredited as a “Guangdong Province Top 500 Manufacturing Enterprise” and “Guangdong Province Manufacturing Enterprise with Outstanding Contribution” by the Guangdong Manufacturers Association
2014	We commenced shipment of home imaging products We received an award from GoPro in recognition of our significant achievements as a principal manufacturer
2015	We produced prototypes and began marketing for smart wearable products

CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands on 18 December 2013 and is the holding company of our subsidiaries. As at the Latest Practicable Date, all issued Shares of our Company were held as to 69.62% by Fortune Six, 10.86% by Fortune Sky, 10.49% by Yongweida, 6.53% by Uphigh Global and 2.50% by Sure Top.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As a result of the Reorganisation, our Company, through Sky Light HK, indirectly holds all the equity interests in our subsidiaries, which are principally engaged in developing and manufacturing action cameras and related accessories, as well as digital imaging, home imaging and smart wearable products. Please refer to the paragraph headed “Reorganisation” in this section of the prospectus for further details about the Reorganisation.

Our Subsidiaries in Hong Kong

Sky Light HK

Sky Light HK was incorporated in Hong Kong on 22 August 2006 as a limited liability company. Sky Light HK is a holding company which directly or indirectly holds all the equity interests in our subsidiaries, which are principally engaged in developing and manufacturing action cameras and related accessories, as well as digital imaging, home imaging and smart wearable products.

At the time of its incorporation, Mr. Tang Wing Fong Terry (as initial subscriber) subscribed for one share of HK\$1.00 each in Sky Light HK. On 20 November 2006, 9,227 shares and 772 shares in Sky Light HK were allotted and issued to Mr. Tang and Ms. Tang Kam Sau for a consideration of HK\$9,227 and HK\$772, respectively.

On 14 May 2007, 2,500 shares in Sky Light HK were allotted and issued to Mr. Ma Man Hung William for a consideration of HK\$2,500. On the same date, Mr. Tang and Ms. Tang transferred 9,228 shares and 772 shares in Sky Light HK to Sky Light Industrial Limited (“**Sky Light Industrial**”), a company controlled by Mr. Tang Wing Fong Terry, for a consideration of HK\$9,228 and HK\$772, respectively.

On 24 November 2007, Mr. Ma Man Hung William and Sky Light Industrial transferred 2,500 shares and 9,035 shares in Sky Light HK to Mr. Tang for a consideration of HK\$2,500 and HK\$9,035, respectively. On the same date, Sky Light Industrial transferred 965 shares in Sky Light HK to Ms. Tang for a consideration of HK\$965.

On 19 August 2008, Ms. Tang transferred 965 shares in Sky Light HK to Mr. Tang for a consideration of HK\$965.

On 23 April 2012, 21,987,500 shares in Sky Light HK were allotted and issued to Mr. Tang for a consideration of HK\$21,987,500, as a result of which a total of 22,000,000 shares of HK\$1.00 each were issued and allotted as fully paid or credited as fully paid and were entirely held by Mr. Tang. As at the same date, Sky Light HK had an authorised share capital of HK\$30,000,000 divided into 30,000,000 shares of HK\$1.00 each.

Since then Sky Light HK had been held as to 100% by Mr. Tang prior to the Reorganisation.

Sky Light Imaging

Sky Light Imaging (formerly known as Sky Light Camera Limited until 11 December 2009 and a Chinese name 天彩影像有限公司 was added on 6 March 2013) was incorporated in Hong Kong on 22 August 2006 as a limited liability company. Sky Light Imaging is principally engaged in distribution of action cameras and related accessories, as well as digital imaging, home imaging and smart wearable products.

At the time of its incorporation, Sky Light Industrial (as initial subscriber) subscribed for one share of HK\$1.00 each in Sky Light Imaging.

On 15 December 2009, Sky Light Industrial transferred one share in Sky Light Imaging to Mr. Tang Wing Fong Terry for a consideration of HK\$1.00. On the same date, 461,399 shares and 38,600 shares in Sky Light Imaging were allotted and issued to Mr. Tang and Ms. Tang Kam Sau for a consideration of HK\$461,399 and HK\$38,600, respectively.

On 26 February 2013, Mr. Tang and Ms. Tang transferred 461,400 shares and 38,600 shares in Sky Light Imaging to Sky Light HK for a consideration of HK\$461,400 and HK\$38,600, respectively. On the same date, 4,500,000 shares in Sky Light Imaging were allotted and issued to Sky Light HK for a consideration of HK\$4,500,000. As a result of these

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

transfers and issuance of shares, a total of 5,000,000 shares of HK\$1.00 each were issued and allotted as fully paid or credited as fully paid and were entirely held by Sky Light HK. As at the same date, Sky Light Imaging had an authorised share capital of HK\$10,000,000 divided into 10,000,000 shares of HK\$1.00 each.

Since then Sky Light Imaging had been held as to 100% by Sky Light HK prior to the Reorganisation.

Creative Applications

Creative Applications was incorporated in Hong Kong on 25 February 2013 as a limited liability company. Creative Applications is principally engaged in software development.

At the time of its incorporation, Sky Light HK (as initial subscriber) subscribed for one share of HK\$1.00 each in Creative Applications.

Since then Creative Applications had been held as to 100% by Sky Light HK prior to the Reorganisation.

Sky Light Digital

Sky Light Digital was incorporated in Hong Kong on 21 June 2005 as a limited liability company. Sky Light Digital was principally engaged in distribution of action cameras and related accessories as well as digital imaging products prior to the Reorganisation. It holds our Hong Kong office.

At the time of its incorporation, Mr. Tang Wing Fong Terry (as initial subscriber) subscribed for one share of HK\$1.00 each in Sky Light Digital.

On 15 September 2005, Mr. Tang transferred one share in Sky Light Digital to Ms. Tang Kam Sau for a consideration of HK\$1.00.

On 20 November 2006, Ms. Tang transferred one share in Sky Light Digital to Sky Light Industrial for a consideration of HK\$1.00.

On 13 November 2008, 9,227 shares and 772 shares in Sky Light Digital were allotted and issued to Mr. Tang and Ms. Tang for a consideration of HK\$9,227 and HK\$772, respectively. On the same date, Sky Light Industrial transferred one share in Sky Light Digital to Mr. Tang for a consideration of HK\$1.00.

On 29 November 2010, 4,604,772 shares and 385,228 shares in Sky Light Digital were allotted and issued to Mr. Tang and Ms. Tang for a consideration of HK\$4,604,772 and HK\$385,228, respectively.

On 30 September 2011, Mr. Tang and Ms. Tang transferred 4,614,000 shares and 386,000 shares in Sky Light Digital to Sky Light Shenzhen for a consideration of HK\$4,614,000 and HK\$386,000, respectively, as a result of which a total of 5,000,000 shares of HK\$1.00 each were issued and allotted as fully paid or credited as fully paid and were entirely held by Sky Light Shenzhen. As at the same date, Sky Light Digital had an authorised share capital of HK\$10,000,000 divided into 10,000,000 shares of HK\$1.00 each.

Since then Sky Light Digital had been held as to 100% by Sky Light Shenzhen prior to the Reorganisation.

Our Subsidiaries in the PRC

Sky Light Shenzhen

Sky Light Shenzhen was established in the PRC on 23 January 2008 as a limited liability company with an initial registered capital of HK\$10,000,000, which was contributed by Sky Light HK at the time of its establishment.

Sky Light Shenzhen was first established as a wholly-owned subsidiary of Sky Light HK. Sky Light Shenzhen operates our Shenzhen production facility and is principally engaged in the manufacture and sale of action cameras, as well as home imaging and smart wearable products.

As at 1 January 2012, the commencement date of the Track Record Period, Sky Light Shenzhen had a registered capital of HK\$52,469,338, which was contributed as to 41.93% by Sky Light HK, 22.87% by Mr. Zhao Guoxiang who held the equity interest in Sky Light

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Shenzhen on trust for Mr. Tang Wing Fong Terry, 10.50% by Yongweida L.L.P., 7.32% by Mr. Tang Wing Fong Terry (out of which 2.41% was held on trust for Ms. Tang Kam Sau), 5.29% by Tianhui Jianye, 4.15% by Tianjin Xingye, 4.12% by Ms. Tang Kam Sau, 2.50% by Sure Top and 1.32% by Chuangligao, respectively. Yongweida L.L.P. was a limited liability partnership established in the PRC and its executive partner was Mr. Wu Yongmou. Sure Top, Tianhui Jianye, Tianjin Xingye and Chuangligao (which, together with Tianhui Jianye and Tianjin Xingye, was subsequently substituted by Fortune Sky) were incorporated for the benefit of and owned by certain employees of our Group.

On 15 March 2012, Sky Light HK, a company wholly-owned by Mr. Tang at the time, acquired HK\$12,000,000 of the registered capital of Sky Light Shenzhen, representing 22.87% equity interest in Sky Light Shenzhen, from Mr. Zhao Guoxiang, who held the equity interest in Sky Light Shenzhen on trust for Mr. Tang, for a consideration of HK\$1.00.

As part of the Reorganisation, Sky Light HK acquired the remaining equity interests in Sky Light Shenzhen on 17 September 2013. For details, please refer to the paragraph headed “Reorganisation – Step 1 – Acquisition of the remaining equity interests in Sky Light Shenzhen” in this section. Since then, Sky Light Shenzhen has been held as to 100% by Sky Light HK.

On 5 November 2014, the registered capital of Sky Light Shenzhen increased from HK\$52,469,338 to HK\$68,000,000. The amount of additional capital was contributed by Sky Light HK.

As confirmed by our PRC Legal Adviser, the registered capital of Sky Light Shenzhen has been fully paid up.

Sky Light Technology (HY)

Sky Light Technology (HY) was established in the PRC on 2 March 2010 as a limited liability company with an initial registered capital of RMB10,000,000, which was contributed by Sky Light Shenzhen at the time of its establishment.

Sky Light Technology (HY) has been a wholly-owned subsidiary of Sky Light Shenzhen since its establishment. Sky Light Technology (HY) operates our Heyuan production facility and is principally engaged in the manufacture and sale of action camera related accessories and digital imaging products.

As at 1 January 2012, the commencement date of the Track Record Period, Sky Light Technology (HY) had a registered capital of RMB20,000,000, which was contributed by Sky Light Shenzhen.

As confirmed by our PRC Legal Adviser, the registered capital of Sky Light Technology (HY) has been fully paid up.

Sky Light Software

Sky Light Software was established in the PRC on 25 March 2013 as a limited liability company with an initial registered capital of RMB5,000,000, which was contributed by Sky Light Shenzhen at the time of its establishment.

Sky Light Software has been a wholly-owned subsidiary of Sky Light Shenzhen since its establishment. Sky Light Software is principally engaged in software development.

As confirmed by our PRC Legal Adviser, the registered capital of Sky Light Software has been fully paid up.

Shenzhen Skypix Technology

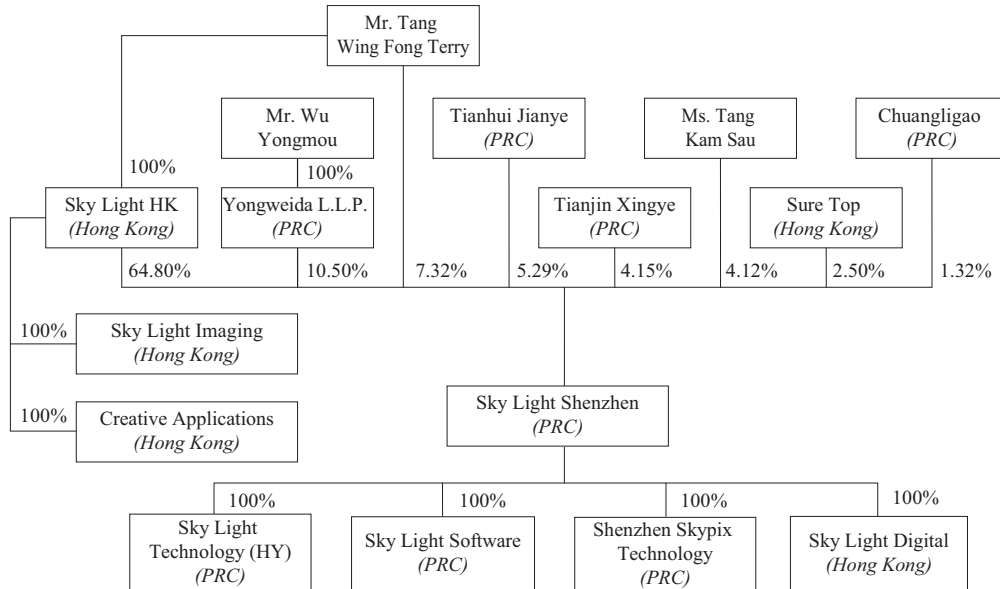
Shenzhen Skypix Technology was established in the PRC on 31 May 2010 as a limited liability company with an initial registered capital of RMB5,000,000, which was contributed by Sky Light Shenzhen and an Independent Third Party at the time of its establishment. On 29 May 2012, Sky Light Shenzhen acquired the remaining equity interests in Shenzhen Skypix Technology. On 8 August 2012, the registered capital of Shenzhen Skypix Technology increased from RMB5,000,000 to RMB20,000,000. The amount of additional capital was contributed by Sky Light Shenzhen.

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Shenzhen Skypix Technology had been a wholly-owned subsidiary of Sky Light Shenzhen since its establishment and was principally engaged in the manufacture of plastic parts and electronic components prior to its business dissolution due to a shift of operations to our PRC subsidiaries. On 29 January 2015, Shenzhen Skypix Technology completed the deregistration process and was dissolved.

REORGANISATION

Prior to the Reorganisation, Sky Light Shenzhen, which wholly owns Sky Light Technology (HY) and certain other subsidiaries, was held by a number of shareholders and was not wholly-owned by Sky Light HK. The following chart sets out our corporate and shareholding structure immediately before the Reorganisation:



In order to prepare for the Listing, we underwent the Reorganisation which involved the following steps:

(1) Step 1 – Acquisition of the remaining equity interests in Sky Light Shenzhen

On 17 September 2013, Sky Light HK acquired HK\$5,509,280, HK\$3,838,400, HK\$2,775,628, HK\$2,177,478, HK\$2,161,600, HK\$1,311,733 and HK\$695,219 of the registered capital of Sky Light Shenzhen, representing the remaining 35.20% equity interests in Sky Light Shenzhen, from Yongweida L.L.P., Mr. Tang, Tianhui Jianye, Tianjin Xingye, Ms. Tang Kam Sau, Sure Top and Chuangligao, respectively, for an aggregate consideration of a HK dollar equivalent amount of RMB51,001,260.25, which was determined with reference to the audited net asset value of Sky Light Shenzhen as at 31 May 2013. Since then, Sky Light Shenzhen has been held as to 100% by Sky Light HK.

(2) Step 2 – Establishment of Fortune Six

Fortune Six was incorporated under the laws of the BVI with limited liability on 11 November 2013 (i) with an authorised share capital of US\$50,000 divided into 50,000 shares of par value of US\$1.00 each; and (ii) with one share of par value of US\$1.00 each being allotted and issued to Mr. Tang as fully paid.

(3) Step 3 – Establishment of our Company by Fortune Six

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 18 December 2013 (i) with an initial authorised share capital of HK\$380,000 divided into 380,000 shares of nominal value of HK\$1.00 each; and (ii) with one share of nominal value of HK\$1.00 each being allotted and issued to Fortune Six as fully paid.

(4) Step 4 – Subdivision of the Shares

On 24 January 2014, each issued and unissued share of nominal value of HK\$1.00 each in the share capital of our Company was sub-divided into 100 Shares of nominal value of HK\$0.01 each in the share capital of our Company. Following the share sub-division, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of nominal value of HK\$0.01 each.

Upon the completion of Step 4, Fortune Six held 100 Shares in our Company, representing the entire issued share capital of our Company.

(5) Step 5 – Transfer of shares in Sky Light HK held by Mr. Tang to our Company

On 24 January 2014, pursuant to a sale and purchase agreement and a supplemental deed both dated 24 January 2014 and entered into between our Company and Mr. Tang, Mr. Tang transferred 22,000,000 shares of par value of HK\$1.00 each in Sky Light HK to our Company and paid a cash amount of HK\$11,386,078.71, in consideration for our Company issuing and allotting to Fortune Six (as nominee of Mr. Tang) 696,096 Shares in our Company.

Upon the completion of this Step 5, our Company became the holding company of Sky Light HK and its subsidiaries. Fortune Six held 696,196 Shares in our Company, representing the entire issued share capital of our Company.

(6) Step 6 – Subscription of Shares in our Company by Fortune Sky, Yongweida, Uphigh Global and Sure Top

On 27 June 2014, Fortune Sky (then owned by the ultimate owners of each of Tianhui Jianye, Tianjin Xingye and Chuangligao), Yongweida (which was then wholly-owned by Mr. Wu Yongmou and which subsequently substituted Yongweida L.L.P.), Uphigh Global (wholly-owned by Ms. Tang Kam Sau) and Sure Top entered into a subscription agreement with our Company, pursuant to which our Company agreed to issue and allot as fully paid an aggregate of 303,804 Shares, consisting of 108,626 Shares to Fortune Sky, 104,885 shares to Yongweida, 65,320 shares to Uphigh Global and 24,973 shares to Sure Top, for an aggregate consideration of HK\$47,974,343.74, which was determined with reference to the consideration for the acquisition of the equity interests in Sky Light Shenzhen, net of tax and expenses, referred to in Step 1 of the Reorganisation above.

Upon the completion of this Step 6, our Company was held as to approximately 69.62% by Fortune Six, 10.86% by Fortune Sky, 10.49% by Yongweida, 6.53% by Uphigh Global and 2.50% by Sure Top.

(7) Step 7 – July Deed of undertakings

In recognition of the contributions of certain employees of our Group and to incentivise them for continual improvement in performance, Sure Top, Tianhui Jianye, Tianjin Xingye and Chuangligao (which, together with Tianhui Jianye and Tianjin Xingye, was subsequently substituted by Fortune Sky) were incorporated for the benefit of and owned by certain employees of our Group. As at the Latest Practicable Date, (i) Sure Top is beneficially owned by the Sure Top Shareholders, who are five employees and are not connected persons of our Group and (ii) Fortune Sky is beneficially owned by the Fortune Sky Shareholders, which consist of Mr. Tang Wing Fong Terry, Mr. Lu Yongbin and 41 other employees who are not connected persons of our Group.

In order to maintain the stability of the Sure Top Shareholders and Fortune Sky Shareholders within the Group, on 31 July 2014, the Sure Top Shareholders, the Fortune Sky Shareholders, Sure Top, Fortune Sky and our Company entered into a deed of undertakings (the “**July Deed of Undertakings**”) pursuant to which:

- (i) unless with our Company’s written approval and notwithstanding other provisions of the Memorandum and Articles, (i) each of the Sure Top Shareholders undertook not to transfer or dispose of any of his or her interest in the shares of Sure Top to any other person and Sure Top undertook not to transfer or dispose of any of its interest

in the Shares held by it (as enlarged by the Capitalisation Issue) to any other person; and (ii) each of the Fortune Sky Shareholders undertook not to transfer or dispose of any of his or her interest in the shares of Fortune Sky to any other person and Fortune Sky undertook not to transfer or dispose of any of its interest in the Shares held by it (as enlarged by the Capitalisation Issue) to any other person;

- (ii) each of the Sure Top Shareholders and each of the Fortune Sky Shareholders unconditionally and irrevocably appointed Mr. Tang Wing Fong Terry as his or her proxy to attend, act and vote for and on behalf of him or her at the sole discretion of Mr. Tang at any general meetings of Sure Top and Fortune Sky respectively; and
- (iii) after the Listing Date, each of Sure Top and Fortune Sky unconditionally and irrevocably undertakes to transfer to each Sure Top Shareholder and each Fortune Sky Shareholder,
 - within five Business Days from the expiry of six months from the Listing Date, 25% of his or her attributable interest in the Shares held respectively by Sure Top or Fortune Sky (as enlarged by the Capitalisation Issue);
 - within five Business Days from the expiry of 12 months from the Listing Date, 25% of his or her attributable interest in the Shares held respectively by Sure Top or Fortune Sky (as enlarged by the Capitalisation Issue);
 - within five Business Days from the expiry of 18 months from the Listing Date, 25% of his or her attributable interest in the Shares held respectively by Sure Top or Fortune Sky (as enlarged by the Capitalisation Issue); and
 - within five Business Days from the expiry of 24 months from the Listing Date, 25% of his or her attributable interest in the Shares held respectively by Sure Top or Fortune Sky (as enlarged by the Capitalisation Issue) and, at the same time, each Sure Top Shareholder and each Fortune Sky Shareholder unconditionally and irrevocably undertake to transfer his or her shares in Sure Top or Fortune Sky to Mr. Tang.

(8) Step 8 – Deregistration of Shenzhen Skypix Technology

Due to a shift of operations to our other PRC subsidiaries, Shenzhen Skypix Technology filed an application for deregistration. On 29 January 2015, Shenzhen Skypix Technology completed the deregistration process and was dissolved.

(9) Step 9 – Establishment of the Tang’s Family Trust

On 10 February 2015, Mr. Tang (as settlor), who established the Tang’s Family Trust with Wing Lung Bank (Trustee) Limited (the “Trustee”), transferred his entire interest in Fortune Six to Best One, a company controlled by the Tang’s Family Trust, for nil consideration for the settlement of the Tang’s Family Trust. The sole shareholder of Best One is Autopex Limited as nominee for the Trustee. Ultimately, the Trustee holds the entire interest in Fortune Six on trust for the benefit of Mr. Tang and certain of his family members.

(10) Step 10 – Establishment of the Wu’s Family Trust

On 10 February 2015, Mr. Wu Yongmou (as settlor), who established the Wu’s Family Trust with the Trustee, transferred his entire interest in Yongweida to Yongdingda, a company controlled by the Wu’s Family Trust, for nil consideration for the settlement of the Wu’s Family Trust. The sole shareholder of Yongdingda is Autopex Limited as nominee for the Trustee. Ultimately, the Trustee holds the entire interest in Yongweida on trust for the benefit of Mr. Wu’s children.

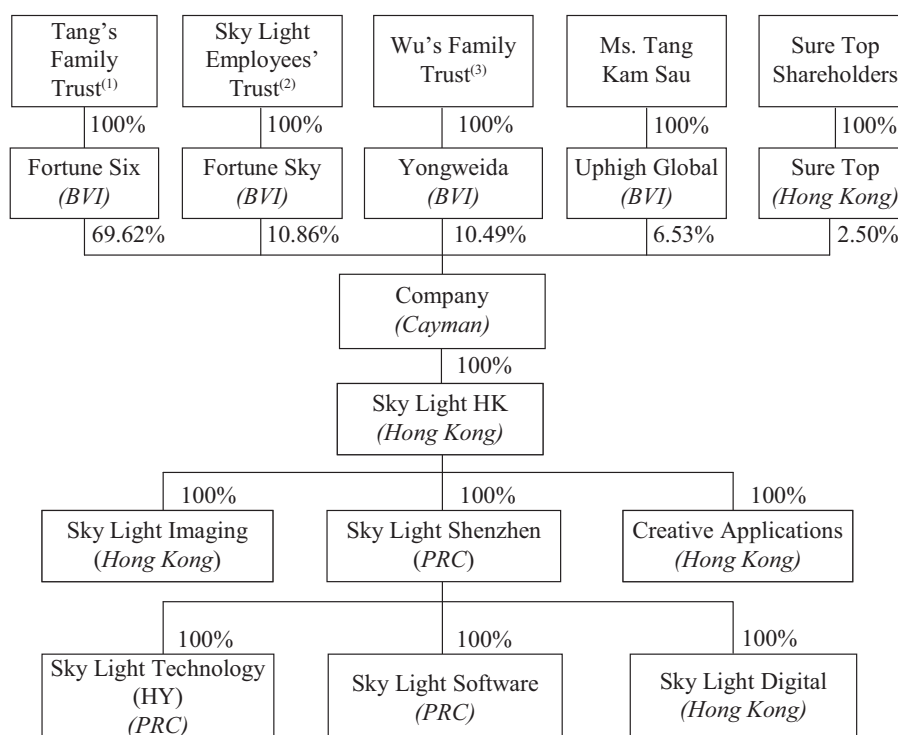
(11) Step 11 – Establishment of the Sky Light Employees’ Trust

On 18 March 2015, the Fortune Sky Shareholders transferred their entire interests in Fortune Sky to Brilliant Sky, which is wholly-owned by Autopex Limited as nominee for the Trustee, for nil consideration for the Trustee to administer the Sky Light Employees’ Trust. The Trust was appointed pursuant to a trust deed dated 18 March 2015.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

To supplement the July Deed of Undertakings, another deed of undertakings (the “**Supplemental Deed of Undertakings**”) was entered into between the Fortune Sky Shareholders, Mr. Tang, the Trustee, Brilliant Sky, Fortune Sky and our Company, pursuant to which (i) unless with our Company’s written approval and notwithstanding other provisions of the Memorandum and Articles, each of the Trustee and Brilliant Sky undertook not to transfer or dispose of any of its interest in the shares of Fortune Sky or the Shares held by Fortune Sky (as enlarged by the Capitalisation Issue) to any other person unless such transfer is required to be made under the terms and subject to the conditions of the July Deed of Undertakings or the Supplemental Deed of Undertakings; and (ii) the Trustee undertakes to do all that is necessary to facilitate the transfer to each Fortune Sky Shareholder of his or her attributable interest in the Shares held by Fortune Sky (as enlarged by the Capitalisation Issue) as set out in the July Deed of Undertakings.

The following chart sets forth our corporate and shareholding structure immediately after the Reorganisation but before the completion of the Capitalisation Issue and the Global Offering:



Notes:

- (1) The sole shareholder of Fortune Six is Best One, the holding vehicle incorporated in the BVI as nominee for Wing Lung Bank (Trustee) Limited (as trustee of the Tang’s Family Trust) to hold all the issued shares in Fortune Six. The sole shareholder of Best One is Autopex Limited, a company incorporated in the BVI, which holds the shares in Best One as nominee for Wing Lung Bank (Trustee) Limited. The Tang’s Family Trust is a discretionary trust established by Mr. Tang (as settlor) on 10 February 2015 and its discretionary objects are Mr. Tang and certain of his family members. The Tang’s Family Trust has control over Best One through Autopex Limited and, accordingly, exercises shareholders’ rights in our Company through Fortune Six.
- (2) The sole shareholder of Fortune Sky is Brilliant Sky, the holding vehicle incorporated in the BVI as nominee for Wing Lung Bank (Trustee) Limited (as trustee of the Sky Light Employees’ Trust) to hold all the issued shares in Fortune Sky. The sole shareholder of Brilliant Sky is Autopex Limited, a company incorporated in the BVI, which holds the shares in Brilliant Sky as nominee for Wing Lung Bank (Trustee) Limited. The Sky Light Employees’ Trust is a discretionary trust whose trustee is Wing Lung Bank (Trustee) Limited and its discretionary objects are the Fortune Sky Shareholders. The Sky Light Employees’ Trust has control over Brilliant Sky through Autopex Limited and, accordingly, exercises shareholders’ rights in our Company through Fortune Sky.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

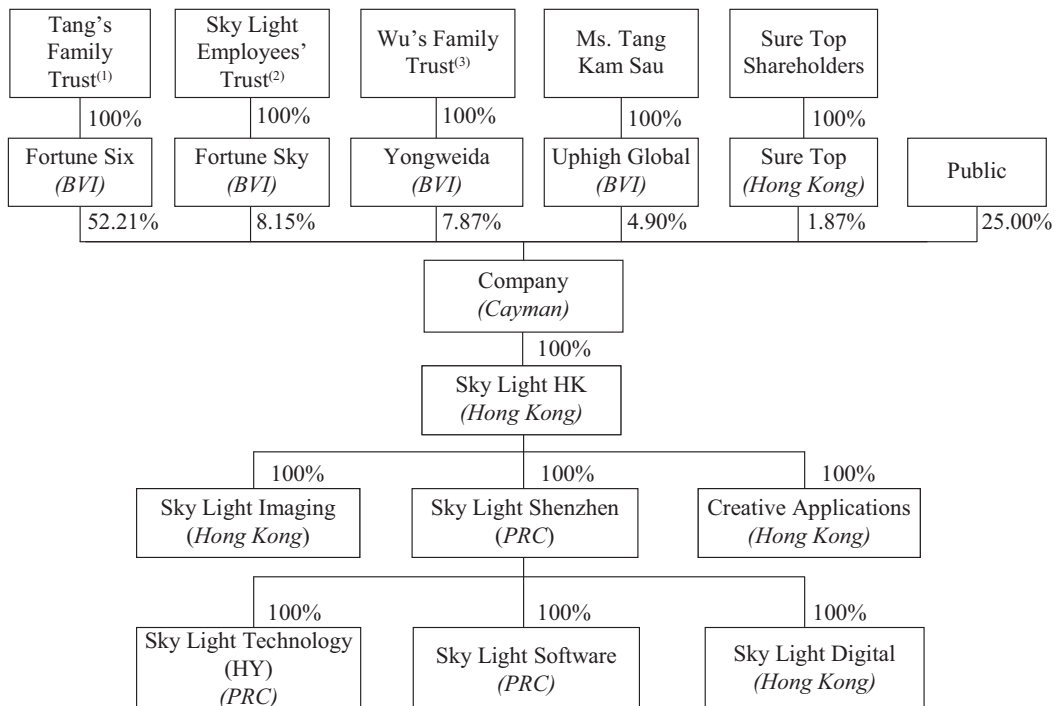
- (3) The sole shareholder of Yongweida is Yongdingda, the holding vehicle incorporated in the BVI as nominee for Wing Lung Bank (Trustee) Limited (as trustee of the Wu's Family Trust) to hold all the issued shares in Yongweida. The sole shareholder of Yongdingda is Autopex Limited, a company incorporated in the BVI, which holds the shares in Yongdingda as nominee for Wing Lung Bank (Trustee) Limited. The Wu's Family Trust is a discretionary trust established by Mr. Wu (as settlor) on 10 February 2015 and its discretionary objects are Mr. Wu's children. The Wu's Family Trust has control over Yongdingda through Autopex Limited and, accordingly, exercises shareholders' rights in our Company through Yongweida.

THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING

Conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and apply such sum in paying up in full at nominal value a total of 599,000,000 Shares for allotment and issue to the existing shareholders of our Company, namely Fortune Six, Fortune Sky, Yongweida, Uphigh Global and Sure Top, as to 417,021,404 Shares, 65,066,974 Shares, 62,826,115 Shares, 39,126,680 Shares and 14,958,827 Shares, respectively. Our Company will issue 200,000,000 Shares under and upon the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Immediately after the completion of the Capitalisation issue and the Global Offering, assuming that the Over-allotment Option is not exercised, Fortune Six, Fortune Sky, Yongweida, Uphigh Global, Sure Top and the public holders of the Shares will hold 417,717,600, 65,175,600, 62,931,000, 39,192,000, 14,983,800 and 200,000,000 Shares, respectively, representing approximately 52.21%, 8.15%, 7.87%, 4.90%, 1.87% and 25.00%, respectively, of the enlarged issued share capital of our Company.

The following chart sets out our corporate and shareholding structure immediately following the completion of the Global Offering (taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme):



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

- (1) The sole shareholder of Fortune Six is Best One, the holding vehicle incorporated in the BVI as nominee for Wing Lung Bank (Trustee) Limited (as trustee of the Tang's Family Trust) to hold all the issued shares in Fortune Six. The sole shareholder of Best One is Autopex Limited, a company incorporated in the BVI, which holds the shares in Best One as nominee for Wing Lung Bank (Trustee) Limited. The Tang's Family Trust is a discretionary trust established by Mr. Tang (as settlor) on 10 February 2015 and its discretionary objects are Mr. Tang and certain of his family members. The Tang's Family Trust has control over Best One through Autopex Limited and, accordingly, exercises shareholders' rights in our Company through Fortune Six.
- (2) The sole shareholder of Fortune Sky is Brilliant Sky, the holding vehicle incorporated in the BVI as nominee for Wing Lung Bank (Trustee) Limited (as trustee of the Sky Light Employees' Trust) to hold all the issued shares in Fortune Sky. The sole shareholder of Brilliant Sky is Autopex Limited, a company incorporated in the BVI, which holds the shares in Brilliant Sky as nominee for Wing Lung Bank (Trustee) Limited. The Sky Light Employees' Trust is a discretionary trust whose trustee is Wing Lung Bank (Trustee) Limited and its discretionary objects are the Fortune Sky Shareholders. The Sky Light Employees' Trust has control over Brilliant Sky through Autopex Limited and, accordingly, exercises shareholders' rights in our Company through Fortune Sky.
- (3) The sole shareholder of Yongweida is Yongdingda, the holding vehicle incorporated in the BVI as nominee for Wing Lung Bank (Trustee) Limited (as trustee of the Wu's Family Trust) to hold all the issued shares in Yongweida. The sole shareholder of Yongdingda is Autopex Limited, a company incorporated in the BVI, which holds the shares in Yongdingda as nominee for Wing Lung Bank (Trustee) Limited. The Wu's Family Trust is a discretionary trust established by Mr. Wu (as settlor) on 10 February 2015 and its discretionary objects are Mr. Wu's children. The Wu's Family Trust has control over Yongdingda through Autopex Limited and, accordingly, exercises shareholders' rights in our Company through Yongweida.

M&A RULES

The Rules on the Merger with and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) were jointly promulgated by six agencies, including MOFCOM, the CSRC and SAFE, on 8 August 2006, became effective on 8 September 2006 and were amended in June 2009. Pursuant to the M&A Rules, an offshore special purpose vehicle (the “**Offshore SPV**”) incorporated for purposes of overseas listing of equity interests in PRC domestic companies controlled directly or indirectly by PRC entities or individuals must obtain MOFCOM approval prior to such Offshore SPV acquiring any related entities or their assets in the PRC, as well as CSRC approval prior to the listing and trading of the securities of such Offshore SPV on an overseas stock exchange. Because (i) Sky Light Shenzhen was incorporated on 23 January 2008 as a wholly foreign-owned enterprise by Sky Light HK which neither was incorporated nor is controlled directly or indirectly by PRC entities or individuals and (ii) no “acquisition” as defined under the M&A Rules was conducted in the PRC, our PRC Legal Adviser is of the view that the M&A Rules are not applicable to the Global Offering and the Listing and we are not required to obtain any relevant approval from MOFCOM or the CSRC.

CIRCULAR 37

On 14 July 2014, SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Administration of Offshore Investment and Financing and Return Investments Conducted by Domestic Residents through Offshore Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”) which came into force on the same day, requiring PRC residents who establish or control Offshore SPVs and intend to inject assets or equity interests in their PRC entities into such Offshore SPVs for the purposes of overseas equity financing to register with competent local SAFE branch before contributing assets or equity interests in such Offshore SPVs. Following the initial registration, the PRC residents are also required to register with the local SAFE branch with respect to such Offshore SPVs in connection with any major change in PRC resident shareholders, alteration of capital, term of operation, transfer of shares, share exchange, merger or division. Since none of the ultimate shareholders of our Company as at the date of this prospectus are “PRC residents” as defined under Circular 37, our PRC Legal Adviser is of the view that the requisite SAFE registration under Circular 37 is not applicable to the Global Offering and the Listing.

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OVERVIEW

We are a leading digital imaging device and solution provider for the action camera industry globally. According to Frost & Sullivan, in 2014, we were the second largest action camera manufacturer worldwide with a market share of approximately 31% in terms of global action camera shipments. We are a principal manufacturer for GoPro, a major camera brand in terms of 2014 shipments according to Frost & Sullivan. They are our largest customer and we have maintained a close business relationship with them for nearly a decade. With advanced product planning and research and development capabilities, we have established strong expertise in the business of developing and manufacturing a selection of digital imaging devices, in particular action cameras. From 2010 to 2014, our aggregate shipments of action cameras totalled approximately 7.1 million units, ranking us first among action camera manufacturers worldwide in terms of shipments for such period, according to Frost & Sullivan.

We have been primarily engaged in developing and manufacturing action cameras and related accessories, as well as other digital imaging products such as traditional digital cameras, portable scanners and digital camcorders for various uses. In recent years, we have begun expanding our product offerings by actively pursuing new product planning in the fast-growing home imaging and smart wearable markets. We have successfully entered into business with existing and new customers, such as iON, NETGEAR and Canary, for our newly developed cloud camera, our first home imaging product which we began commercial shipment in the third quarter of 2014. We have also produced prototypes and begun marketing for our smart wearable products and expect to begin shipment by June 2015.

Leveraging our substantial experience spanning across a diverse range of digital imaging products, we differentiate ourselves from other manufacturers by offering design-driven JDM and ODM solutions to customers. For our JDM business, we work closely together with our customers to design and engineer the specifications of a product, after which the customer will place purchase orders with us to manufacture the jointly developed product. For the ODM business, we undertake the design and development of products ourselves, based on either our own product plans or product concepts provided by our customers, and then manufacture the products pursuant to purchase orders received. As at 31 December 2014, we had a total of 349 product planning and research and development staff dedicated to designing and developing innovative products and technologies. As at the Latest Practicable Date, we had registered 36 patents and 44 copyrights and applied for an additional 19 patents and two copyrights.

We conduct all of our manufacturing operations at our two production facilities in China. These production facilities are located in Shenzhen and Heyuan, Guangdong, respectively, and occupy a total gross floor area of approximately 33,268 sq.m. Our designed annual production capacity in 2014 was approximately 3.3 million units of action cameras and approximately 120.0 million units of accessories. In addition, we have established a research and development centre in the Shenzhen Hi-Tech Industrial Park to focus our product planning and research and development efforts.

In 2012, 2013 and 2014, we generated revenue in the amounts of HK\$1,658.8 million, HK\$1,622.5 million and HK\$2,092.4 million, respectively, and our profit for the year was HK\$171.5 million, HK\$165.0 million and HK\$201.9 million, respectively. Our revenue and profit for the year grew from 2012 to 2014 at a CAGR of 12.3% and 8.5%, respectively.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that will continue to drive our future success:

A leading digital imaging device and solution provider in the global action camera market

We are a leading digital imaging device and solution provider for the action camera industry globally. According to Frost & Sullivan, in 2014, we were the second largest action camera manufacturer worldwide with a market share of approximately 31% in terms of global action camera shipments. We are a principal manufacturer for GoPro, a major camera brand in terms of 2014 shipments according to Frost & Sullivan. We commenced shipment of cameras

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to GoPro in 2006. Our shipments to GoPro totalled approximately 2.2 million units in 2014 and we have maintained a close business relationship with GoPro for nearly a decade. To further strengthen our relationship with GoPro, we have entered into a global supply agreement and a master product development agreement with them, which provide the framework for our long-term business relationship. In addition, we are a principal manufacturer for iON, a well-established action camera brand according to Frost & Sullivan.

We believe our leading market position stems from our ability to develop innovative products that are capable of addressing the rapidly evolving consumer electronics market. We have been successful in pioneering the design and development of action camera products and, in particular, have assisted GoPro with firmware and design support for some of their various camera models, including the first-generation GoPro HERO. Driven by the considerable growth of the global action camera market in recent years, we have achieved significant sales with aggregate shipments of action cameras from 2010 to 2014 totalling approximately 7.1 million units, ranking us first among action camera manufacturers worldwide in terms of shipments for such period, according to Frost & Sullivan. Global action camera shipments are expected to grow at a CAGR of 18.3% from approximately 10.4 million units in 2015 to approximately 20.3 million units in 2019, according to Frost & Sullivan. We believe our leading market position and capabilities have well-positioned us to benefit from the continuing growth of the global action camera market.

Advanced product planning and research and development capabilities

We believe product planning is pivotal to the continual growth and success of our business in this rapidly changing market. To this end, we have established a well-organised product planning department dedicated to the creation and implementation of new product plans to address the changing consumer needs. Our product planning department consists of three teams focusing on the areas of product management, product design, and user interface and user experience. These teams work closely together to enable us to analyse consumer trends, identify new market needs and opportunities, develop new product ideas and designs, and optimise the user experience for our products. Leveraging our advanced product planning capabilities, we are able to expand our product offerings, such as home imaging and smart wearable products, to create new revenue sources.

In order to offer end-to-end, design-driven solutions to customers, we have made significant investment in research and development in realising our product plans into new products. We have substantial experience in developing digital imaging products designed for a variety of specific uses, such as sports and home monitoring. In addition, we have extensive experience and expertise in the areas of wireless and waterproofing technologies, as well as mobile apps and the cloud platform. These technical capabilities related to hardware and software development have enabled us to develop competitive products to meet the increasing requirements of our existing and new customers.

During the Track Record Period, we had focused increasingly on product planning and research and development. In 2012, 2013 and 2014, we incurred research and development expenses in relation to both of our product planning and research and development efforts in the amounts of HK\$44.5 million, HK\$57.8 million and HK\$83.4 million, respectively, which accounted for 2.7%, 3.6% and 4.0%, respectively, of our revenue. As at 31 December 2014, we employed a total of 349 product planning and research and development professionals. As at the Latest Practicable Date, we had registered 36 patents and 44 copyrights and applied for an additional 19 patents and two copyrights.

Strong customer base and close relationships with key suppliers

We have established strong connections with a diverse customer base. With respect to action camera products, we have a long-standing business relationship of nearly a decade with GoPro, our largest customer. With respect to home imaging products, we have been able to cross-sell our new products to certain existing customers, including iON, and have also fostered new customer relationships with established technology equipment brands such as NETGEAR, as well as high-potential start-up companies such as Canary. We believe this

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broad, multi-level customer base allows us to have a stable, steady line of business from our long-term customers and also to diversify our offerings with new products. We have also maintained long-term business relationships with many key customers. For example, for our top five customers in 2014, we have worked with three of them for over five years. In order to strengthen our relationships with key customers, we select staff from our product planning, research and development, and sales and marketing departments to form client-based teams to better serve each of our key customers, including GoPro. We understand the needs of our customers by dedicating ourselves to achieving customers' satisfaction through establishing client-based projects, expanding our product offerings, and continually updating our technologies.

From the supply side, we maintain close relationships with key suppliers of raw materials, components and parts. For example, we have worked with one of the world's leading imaging chip suppliers, Ambarella, since 2008. We believe that our relationship with Ambarella is important for our customers to consider us as a preferred business partner, as it serves to ensure a reliable supply of key components and enables us to offer competitive prices to our customers. Further, this relationship has provided us with ongoing insights into the latest technological developments and consumer trends.

High standards of quality control underpinned by key corporate principles

Our Company is guided by the principles of integrity, efficiency and innovation. To that end, we aim to provide high-quality products by maintaining industry-leading standards of quality control. We require employees to adhere to a stringent set of standards set out in our internal quality manual which covers every stage of production from product design to manufacturing to after-sale service. We have received ISO 9001:2008 certifications. We have also established an audio testing lab, an EMC lab, an environment lab, and an imaging lab to help ensure our products perform accurately and efficiently. Our products have satisfied the quality requirements and design specifications of our industry-leading customers. For example, in 2014, we received an award from GoPro in recognition of our significant achievements as a principal manufacturer.

Moreover, we inspect and test our products at each important stage of the production process through visual inspections, function testing and random sampling to ensure that the final product meets our quality control requirements. Prior to mass production, each of our new products will undergo a series of rigorous tests, which typically include eight primary tests and 68 secondary tests covering areas from quality and functionality to reliability. As at 31 December 2014, we had a quality control department consisting of more than 200 employees devoted to ensuring that our work meets the highest standards. Our production, product planning and research and development teams also collaborate with our quality control department to continually improve our product quality and production process standards.

Experienced senior management with substantial industry expertise

Our senior management team has an average of approximately 13 years of experience in the digital imaging and related industries. It has successfully navigated our business through the fast-changing advances in technology to keep current with the latest consumer trends. Under the leadership of our visionary senior management, we have established a proven track record of seizing market opportunities and shifting our business to adapt to new consumer trends. With our predecessor founded as a disposable camera manufacturer, we successfully transitioned to become a digital consumer electronics manufacturer by developing and manufacturing traditional digital cameras since 2003, then by commencing shipment of cameras to GoPro in 2006 and by introducing portable scanners to the mainstream consumer electronics market in 2010. In recent years, we have further evolved to become a smart technology device and solution provider, incorporating product planning and other value-added services to our high-quality production capabilities.

We believe our experienced senior management, by identifying new business opportunities and developing effective business strategies to pursue them, is a key factor for our success. For more information on the experience and background of our senior management, see the section headed "Directors and Senior Management – Senior Management" in this prospectus.

BUSINESS STRATEGIES

We aim to maintain our strong market position and expand our product portfolio. We will continue to seek market share gain and deliver high-quality products and solutions to our customers by pursuing the following strategies:

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

By continuing to invest in product planning and research and development, we intend to expand our product offerings to include new product lines with high growth potential. Currently, we have established two teams to focus on the design and development of home imaging and smart wearable products:

- *Home imaging.* We seek to offer a fully comprehensive home imaging solution which combines IP cameras with cloud technology and software applications. This comprehensive system allows users to connect to their home or family members instantly from their computer and mobile devices. Our offerings include not only the hardware but also the associated software, cloud access and on-going technical support services.
- *Smart wearable.* We plan to develop a line of sports wearable products, such as optical heart rate bands and smart swim watches, which will utilise sensors and various motion tracking technologies to provide user feedback. These products are designed to monitor and record the user's running stride, cycling speed, swim stroke and other athletic measures to help the user improve sports performance.

With respect to product planning, we intend to further invest in software design capabilities to complement our product design capabilities. Moreover, with respect to research and development, we intend to further strengthen our software capabilities by, for example, setting up a new research and development centre in Xi'an, Shaanxi Province in the second half of 2015 in order to offer more value-added services, such as those enabled by the cloud technology. Ultimately, we aim to create a selection of customised end-to-end solutions for our customers to choose from. We believe enhancing these capabilities will provide a solid foundation for us to fully capitalise on the growing home imaging and smart wearables markets.

Deepen our customer relationships and further expand our customer base

We believe our relationships with customers are vital to the growth of our business. For our existing customers, particularly for the JDM business, we intend to deepen customer relationships by increasing our collaborations, facilitating more frequent communications and providing more comprehensive after-sales and other services, such as improved technical support or software design. We seek to further strengthen our relationship with GoPro and work closely with GoPro to enhance user experience associated with both the hardware and software of their products. Moreover, we intend to expand our business with existing customers by cross-selling our new products to select customers which seek to address an increasing range of user experience with different products. For example, iON has expanded its product mix to include IP cameras and smart wearable devices.

As we expand our product offerings, we seek to increase our marketing efforts to sell to more new customers and achieve a broader customer base. Because of our close relationships with major suppliers, including leading imaging chip supplier, Ambarella, we are well positioned to develop new products with key components using the latest innovations in imaging technology. We intend to market these new products and technologies to both JDM and ODM customers to grow our business further.

Upgrade and increase our production capacity

In order to keep up with our growing business and rapid advances in technology, we continually strive to upgrade and expand our production facilities. We are alert to opportunities to purchase new production facilities which will help boost our production capacity. Additionally, we intend to optimise our existing production facilities by upgrading our

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equipment and increasing the flexibility of our production lines so that we can more easily diversify our product offerings. We plan to add five SMT production lines, of which four will be dedicated to the production of home imaging and smart wearable products and one will be used for the production of action cameras. By the end of 2015, we intend to increase our production capability of action cameras by approximately 0.5 million units, home imaging products by approximately 2.1 million units and smart wearable products by approximately 0.8 million units.

Create and promote our own brands for new products

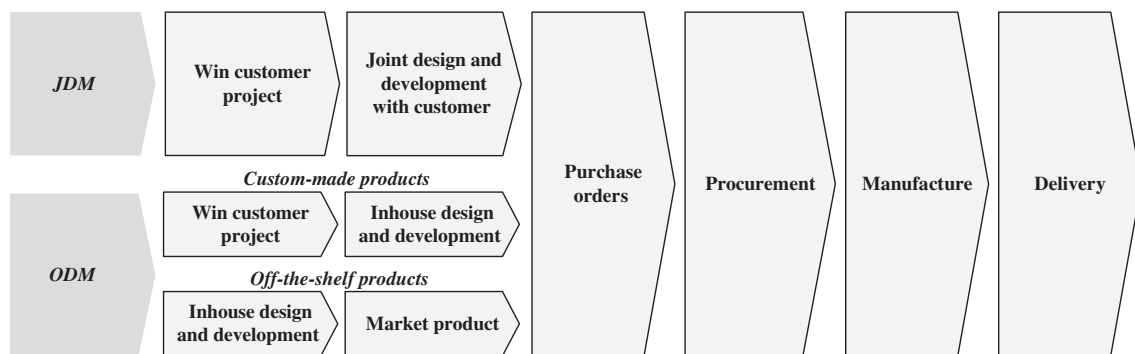
As our product portfolio increases, we intend to increase promotions of our own branded products. This may be through partnerships with other companies or independently using crowd-funding. We plan to set up new house brands to market our home imaging and smart wearable products. We intend to begin our brand development and related marketing activities in the second half of 2015.

Selectively pursue merger and acquisition opportunities along the value chain

As we expand into new products and services, we intend to seek and consider suitable merger and acquisition opportunities to enhance our capabilities along the value chain. As at the Latest Practicable Date, we had not identified any acquisition target. Should suitable opportunities arise, we intend to invest in, or form joint ventures with, high-quality companies, especially in the cloud technology, software development, lens production, imaging analytics, video recording and other related areas, or to acquire technologies from these companies. In selecting and assessing potential merger and acquisition opportunities, we will consider a variety of factors relating to the target companies, such as their compatibility with our business and future development plans, capability of management and technical staff, market share, site condition, distribution channels, goodwill and cost management.

BUSINESS MODELS

We operate our business under two business models: JDM and ODM. The following diagram illustrates our business process under these two business models:



JDM. We engage in joint product design and development with our customers for products that we manufacture on a JDM basis. Once we win a customer project, we will collaborate with the customer with our dedicated design quality assurance team to jointly design and develop a product. After the customer confirms the specifications of the product design, they will place a purchase order and we will begin procuring materials and manufacturing the product. The customer is typically entitled to any intellectual property rights relating to the design and development of the product. Our JDM customers include GoPro.

ODM. The ODM business process begins either with winning a customer project or with our own internal design project. In situations where we win the customer project first, the customer provides us with a general concept for the type of product they want and we proceed to design and develop a custom-made product based on their ideas. In situations where we begin with an internal design project, we finish the design and development first, then market

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the fully developed off-the-shelf product to potential customers. In either case, the customer is able to test a prototype of the developed product before placing a purchase order for us to begin procurement and production. We are typically entitled to any intellectual property rights relating to the design and development of the product.

In addition to JDM and ODM products, which are marketed to consumers under our customer's brand name, we have launched our own brand "SKYPIX" and designed, manufactured and sold a small amount of scanners under our brand during the Track Record Period. While we expect to continue to operate predominantly on JDM and ODM basis in the near term, we will seek to grow our own brand business as we expand our product offerings in the future.

OUR PRODUCTS

We develop, manufacture and sell digital imaging products as our principal products. In recent years, we have begun to expand and diversify our product offerings to include new types of digital imaging and smart technology products. As at the date of this prospectus, our products consist mainly of the following categories: (i) action camera and accessories, (ii) digital imaging, (iii) home imaging, and (iv) smart wearable.

The following table sets out the breakdown of our revenue by product type for the periods indicated. For more information regarding the financial results of our product categories, see the section headed "Financial Information" in this prospectus.

	Year ended 31 December					
	2012		2013		2014	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Action camera and accessories	1,259,183	75.9%	1,304,403	80.4%	1,783,521	85.2%
Digital imaging	376,025	22.7%	225,382	13.9%	199,819	9.6%
Home imaging ⁽¹⁾	–	–	62	0.0%	50,305	2.4%
Others ⁽²⁾	23,621	1.4%	92,680	5.7%	58,740	2.8%
Total ⁽³⁾	<u>1,658,829</u>	<u>100.0%</u>	<u>1,622,527</u>	<u>100.0%</u>	<u>2,092,385</u>	<u>100.0%</u>

Notes:

- (1) Home imaging products commenced commercial production and shipment in the third quarter of 2014.
- (2) Others include miscellaneous non-imaging products such as Wi-Fi box and tooling fees.
- (3) Smart wearable products are expected to commence production and shipment by June 2015.

Action Camera and Accessories

An action camera is a high-definition digital camera with compact, lightweight and durable designs that enables consumers to capture still photos or videos typically of themselves while engaged in sport or other activities. We manufacture action cameras on both a JDM and ODM basis. Most of our action camera models are equipped with mobile technology, and we have jointly developed apps and other software tools with our customers to enhance user experience. In addition to action cameras, we manufacture a variety of accessories, such as waterproof housing, wearable and equipment-based mounts, batteries, removable touch display and remote control, for use with our action camera products. We manufacture and sell action camera products mainly to GoPro, on a JDM basis, as well as other brand companies such as iON and other accessories suppliers.

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The following table sets out a description of our major action camera products and accessories and the business model and product status relating to these products:

Product	Description	Business model	Product status
Action camera 	<ul style="list-style-type: none"> • High-definition video camera with wide angle field of view • Often used for extreme sports or other action video photography • Compact, rugged, easily worn or mounted 	<ul style="list-style-type: none"> • JDM, ODM 	<ul style="list-style-type: none"> • Shipment since 2006
Accessories 	<ul style="list-style-type: none"> • Includes: waterproof housing, mounts, batteries, removable touch display and remote control • Sold separately or as a package with action camera to consumers 	<ul style="list-style-type: none"> • JDM, ODM 	<ul style="list-style-type: none"> • Shipment since 2007



Digital Imaging

We develop, manufacture and sell a broad range of digital imaging products, which include digital cameras and scanners, as well as other products such as digital camcorders, car camcorders and specialty cameras. We design and manufacture these products predominantly for brand customers, importers and retailers on an ODM basis. Moreover, we sell a small amount of scanners under our own brand “SKYPIX” to the domestic market.

The following table sets out a description of our major digital imaging products and the business model and product status relating to these products:

Product	Description	Business model	Product status
Digital camera 	<ul style="list-style-type: none"> • Range of digital cameras • Includes high resolution models • Recent models integrate our waterproofing technology to allow use in water activities 	<ul style="list-style-type: none"> • ODM 	<ul style="list-style-type: none"> • Shipment since 2003

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Product	Description	Business model	Product status
Scanner 	<ul style="list-style-type: none"> • Portable scanners used for high-definition scanning 	<ul style="list-style-type: none"> • ODM, own brand 	<ul style="list-style-type: none"> • Shipment since 2010
Others 	<ul style="list-style-type: none"> • Includes: digital camcorders, police cameras, car camcorders, shooting cameras for hunting or firearms training 	<ul style="list-style-type: none"> • ODM 	<ul style="list-style-type: none"> • Shipment since 2007

Home Imaging

Our home imaging products currently consist of cloud cameras. We manufacture cloud technology based IP cameras typically with a wireless design for home surveillance use. All of our cloud camera products are capable of sending and receiving data to and from mobile devices and provide storage and other functionalities using the cloud platform. We design and manufacture both custom-made and off-the-shelf cloud camera models for brand customers on a JDM or ODM basis. Our key customers include NETGEAR, Canary and iON.

As we expand our home imaging line, we seek to develop a comprehensive system which will allow end users to fully connect with their family and home. We are designing new cloud cameras and other imaging equipment and are also developing the cloud technology, software and mobile applications to be used with our products.

The following table sets out a description of our major home imaging products and the business model and product status relating to our current products:


Product	Description	Business model	Product status
Cloud camera 	<ul style="list-style-type: none"> • Wi-Fi enabled video streaming cameras • Allows users to view live video feeds and receive event notifications through mobile or computer devices • Utilises cloud platform 	<ul style="list-style-type: none"> • JDM, ODM, own brand 	<ul style="list-style-type: none"> • Commercial shipment since third quarter of 2014

Smart Wearable

Our smart wearable products consist of electronic devices with specific focuses, such as social networking or sports and athletics. This includes lifestyle wearable cameras, designed to be lightweight and worn unobtrusively, with wireless connection to allow for easy sharing of videos and photos for social networking. We are also developing a range of sports wearable devices built based on sports algorithms that will allow users to track and monitor their athletic performance. We have created and tested various prototypes and received purchase orders for our smart wearable products. We expect to begin shipment of smart wearable devices in 2015, with the first shipment of approximately 700 units to be delivered in late June 2015.

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The following table sets out a description of our major smart wearable products and the business model and product status relating to our current products:

Product	Description	Business model	Product status
Smart wearable 	<ul style="list-style-type: none"> Smart, wearable devices that focus on social networking or athletic performance 	<ul style="list-style-type: none"> ODM, own brand 	<ul style="list-style-type: none"> In product development stage Prototypes have been created and tested Expected to launch shipment by June 2015

PRODUCT PLANNING AND RESEARCH AND DEVELOPMENT

We believe that product planning and research and development are fundamental to maintaining our competitiveness and sustaining our future growth. We have therefore placed a strong emphasis on establishing and maintaining advanced product planning and research and development capabilities. With more than 10 years of experience in product design and development, we are capable of developing digital imaging products designed for a variety of specific uses, such as sports and home monitoring.

As at 31 December 2014, we employed a total of 349 product planning and research and development professionals. The majority of these employees are based in Shenzhen, while certain of our product planning staff are based in Hong Kong. Our product planning department and research and development department are divided respectively into several teams to focus on various key functions or technical areas.

In 2013, we established a research and development centre in the Shenzhen Hi-Tech Industrial Park to focus our product planning and research and development efforts. We plan to continue to invest in enhancing our capabilities in research and development and plan to set up a new research and development centre in Xi'an, Shaanxi Province in the second half of 2015. Xi'an is an emerging technology centre in the northwest region of China. A large number of well-established international and Chinese technology companies have established a presence in Xi'an. Moreover, there is a relatively abundant supply of talent in research and development areas, and the salary level and rental rate in Xi'an are also lower than in Shenzhen.

In 2012, 2013 and 2014, we incurred research and development expenses in relation to both of our product planning and research and development efforts in the amounts of HK\$44.5 million, HK\$57.8 million and HK\$83.4 million, respectively, which accounted for 2.7%, 3.6% and 4.0%, respectively, of our revenue.

Product Planning

Our product planning department is primarily responsible for leading the development and design of new product concepts and specifications to fuel the future growth of our business. It aims to create new product concepts and designs with optional market positioning and pricing, and also collaborates with different departments to seek for improvements upon existing products. The department is primarily divided into three teams to focus on the following key functions:

- *Product management.* The product managers plan the new products based on market trends and consumer needs. They closely follow market and technological trends to fully understand and predict what end users desire and expect from their usage experience. This team outlines the product features and specifications, including market positioning and pricing, and coordinates the various parties involved. Product managers also provide the materials and training for the sales kit to the sales and marketing team.
- *Product design.* The product designers are responsible for the overall design of the product, along with the design for its associated graphics and packaging. They work on the design process starting from sketches and cooperate with the mechanical engineering team to create the mechanical designs.
- *User interface and user experience.* User interface and user experience designers provide graphic design input, user experience reports and operation flow information to help product managers and application developers to generate the products and applications.

Research and Development

Our research and development department is tasked with the important role of establishing and maintaining our technical capabilities related to hardware and software development in translating product concepts into commercially feasible products. We have placed a strong focus on, and have established extensive experience and expertise in, the areas of wireless and waterproofing technologies, as well as mobile apps and the cloud platform. We believe these are important technologies or services that contribute significantly to the core value proposition of our products.

Our research and development department is primarily divided into smaller teams to focus on the research and development of the following technical areas:

- *Project management.* The project managers lead the internal project team after a research and development project kicks off. The team is highly involved in the early development stage, coordinating the initial execution between the internal teams and outside parties to ensure the project runs smoothly.
- *Mechanical engineering.* The mechanical engineers work closely with the product design team and other engineering teams to ensure that the final design is feasible from all angles. They also help design and make the tooling needed for new products. In particular, we have extensive experience in designing and developing consumer electronics products and accessories with waterproofing capabilities. We have developed and manufactured products which are waterproof to more than 60 metres under water.
- *Electronic engineering.* The electronic engineers handle all hardware designs including schematic, layout and radio frequency designs. They also test and verify the functionality of the PCBs. With the rapid advances in technology, wireless connectivity and mobile access have become the key features for consumer electronics products. We are focusing on designing wireless solutions for our products including Wi-Fi, Bluetooth and GPS systems.
- *Embedded software.* The software engineers design and develop the drivers, software, protocols and firmware for the imaging processors and other core microprocessors.

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- *Application software.* The application developers create applications in accordance with designs from the user experience team and customer specifications, including PC/MAC software, iOS/Android apps and web apps. In particular, some of the application developers are focused on developing mobile apps for imaging products to enhance the user experience and we have developed more than 10 mobile apps to connect to our imaging products. We have also developed a protocol for our products which our customers can utilise to develop their own applications for use with our products.
- *Cloud software.* Because imaging devices have limited processing power, utilising cloud platforms can increase functionality by moving certain features, such as data storage and image editing, to the cloud. We have established a cloud team to develop a selection of cloud applications to complement our products. This team develops the cloud platform for our products and applications to allow for greater connectivity and access for end users, thus providing value added to our products. These cloud applications are a major aspect of the “internet of things” trend and thus is a focus area in which we are actively innovating and developing technical know-how.

Intellectual Property

We use in our production various product designs, technologies and manufacturing know-how that were developed by us or third parties through licensing arrangements. We non-exhaustively rely on the laws and regulations of patent, copyright and trademark, as well as confidentiality agreements signed by our senior management and key research and development personnel to protect our intellectual property rights.

To protect our proprietary processes and technologies against claims or infringement by third parties, we had registered 36 patents and 44 copyrights and applied for an additional 19 patents and two copyrights as at the Latest Practicable Date. We have also registered trademarks for certain logos, including those for our “SKYPIX” brand name in various jurisdictions, including the PRC, Hong Kong and the United States. As at the Latest Practicable Date, we were in the process of registering our Company logo in Hong Kong.

For details of our intellectual property rights, please refer to the section headed “Statutory and General Information – Further Information about the Business of Our Company – 9. Intellectual property rights of our Group” in Appendix IV to this prospectus.

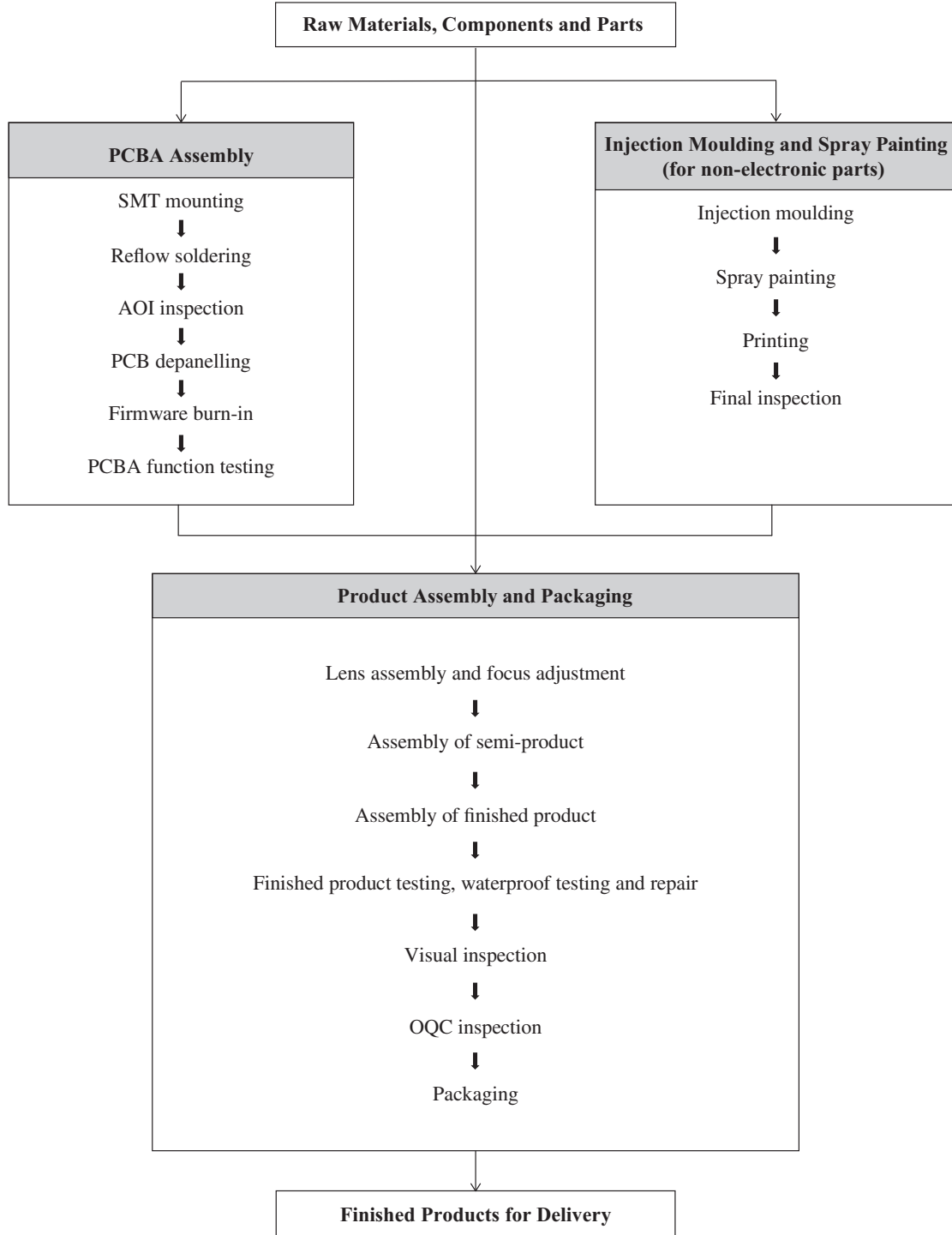
During the Track Record Period and up to the Latest Practicable Date, we were not involved in any infringement of other’s intellectual property or infringement of our intellectual property by others that would have a material adverse impact on our business and we were not involved in any proceedings involving infringement of intellectual property rights.

PRODUCTION PROCESS

We generally manufacture products only after receiving a purchase order from the customer and after procuring all the raw materials, components and parts required for the purchase order, which may take up to four months. The production process for action cameras typically takes up to three weeks from the start of manufacturing to the delivery of products to the customer. We conduct substantially all of the production process internally at our production facilities and do not outsource any work, except for electroplating and a small amount of spray painting to subcontractors.

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The production process for our various consumer electronics products is generally similar. The following diagram shows the general production process for our action camera:



PCBA Assembly

PCBA assembly is the process of assembling electronic components onto a PCBA. All of our electronic products undergo a similar PCBA assembly process though the exact components and configurations used differ depending upon each product's specifications and requirements.

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The assembly begins with SMT mounting in which a circuit board undergoes an automated printing process to layer on the relevant PCBA components, forming a large PCB consisting of multiple smaller PCBs. The components then pass through a reflow oven, which solders the components into place on the PCB. Once the soldering is completed, the large PCB undergoes inspection by an advanced AOI system to scan for possible defects in each individual PCB. Next, the large PCB is depanelled, a process which cuts up the large PCB into smaller, individual PCBAs. After that, the relevant firmware is burned into each individual PCBA.

The PCBA assembly process is concluded by a rigorous function test. Any PCBA that fails is analysed and repaired before being tested again.

Injection Moulding and Spray Painting

We produce certain parts for our products, such as camera housings and certain accessories, through an automated injection moulding and spray painting process. First, a mould is produced for the part needed based on the specifications for that product. Next, the mould is used in our injection mould machines to inject plastic or other raw materials into the shape that we require. Once the form has set, the part is sprayed for colour then printed with the logo of the relevant product. Each part is then manually inspected before it can be assembled into the final product.

Product Assembly and Packaging Flow

The semi-products from the above two workflows are assembled into the final finished product. First, PCBs are combined with sensors and lenses to assemble lens module. The assembled module is then focused before it is further processed.

Next, the lens module is combined with the mainboard along with the SD card board, LCD, battery bracket, mainboard heatsink and other electrical components to form the semi-product. This semi-product also undergoes function testing which each semi-product must pass before it can be further assembled into the final product.

The semi-products are then combined with the external and other non-electrical parts, such as the housing to form the final finished product. These products then are tested for functionality and waterproofing capabilities. Testing standards vary depending upon the product specifications and requirements. After that, all of the finished products undergo visual inspection and an additional random sampling inspection by our OQC department.

Finally, the finished products are packaged in accordance with the order specifications. Some products are packaged and delivered to another supplier of the customer, where the products are packaged for retail sale. For other orders, such as orders of smaller quantities, and our own brand products, we package the products for retail sales ourselves.

PRODUCTION FACILITIES

We have two production facilities in China. One is located in Shenzhen, Guangdong and occupies a gross floor area of approximately 11,934 sq.m. The Shenzhen facility includes predominately PCB and final product assembly lines and currently conducts mainly the PCB assembly and product assembly and packaging for action cameras and cloud cameras. The other production facility is located in Heyuan, Guangdong and occupies a gross floor area of approximately 21,334 sq.m. The Heyuan facility includes production lines for injection moulding and spray painting, in addition to PCB and final product assembly, and conducts mainly the injection moulding and spray painting for all of our products, as well as the PCB assembly and product assembly and packaging for action camera accessories and various digital imaging products.

We lease the properties in respect of the Shenzhen facility from an Independent Third Party and in respect of the Heyuan facility from a connected person. For more information on our lease of properties for the Heyuan facility, see the section headed “Continuing Connected Transaction” in this prospectus.

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We installed a total of 12 SMT production lines at our two production facilities as at 31 December 2014. The following table sets out a summary of our major production equipment at our production facilities as at 31 December 2014:

Equipment	Quantity installed		Total
	Shenzhen	Heyuan	
High-speed SMT and multi-function SMT machine set	8	4	12
Injection moulding machine	4	87	91
Automatic spray painting system	–	2	2
Printing machine	8	6	14

The following table sets out the designed production capacity, output and utilisation rate of our production facilities for the years indicated based on the production of standardised product units for illustrative purposes only:

	Year ended 31 December		
	2012	2013	2014
Shenzhen Production Facility			
Designed production capacity ⁽¹⁾⁽²⁾ ('000 units)	2,656	2,709	3,293
Output ⁽²⁾ ('000 units)	2,123	2,204	2,831
Utilisation rate ⁽³⁾	80.0%	81.4%	86.0%
Heyuan Production Facility			
Designed production capacity ⁽¹⁾⁽⁴⁾ ('000 units)	42,426	86,342	119,960
Output ⁽⁴⁾ ('000 units)	33,059	52,589	110,551
Utilisation rate ⁽³⁾	77.9%	60.9%	92.2%

Notes:

- (1) The designed production capacity figures are calculated based on a number of assumptions, including the daily operation time, the number of working days, the capacity of each production line per hour and the total number of production lines installed for the relevant year. The above figures are based on the assumption that each production facility operates 23 hours per day, 28 days per month and 12 months per year.
- (2) The SMT process is a major production process for action cameras, and the output volume on action cameras is largely dictated by the production capacity of our SMT production lines. Hence the production capacity of our SMT production lines is also the production capacity of our Shenzhen production facility. The SMT production lines in our Shenzhen production facility can generally be used interchangeably to manufacture various models of action cameras as well as other digital imaging, home imaging and smart wearable products. As such, the production capacity and output of our SMT production lines depend on the mix and complexity of the products. The above designed production capacity and output figures are based on the assumption that all relevant products from the SMT production lines can be converted into a standardised product unit, which is the product with the largest shipments in the relevant year.
- (3) Utilisation rate is calculated by dividing output by designed production capacity for the relevant year.
- (4) Since the injection moulding production lines in the Heyuan production facility can generally be used interchangeably to manufacture various action camera accessories and related parts, the production capacity and output of our injection moulding production lines depend on the mix and complexity of the products. The above designed production capacity and output figures are based on the assumption that all relevant products can be converted into a standardised product unit, which is the product with the largest shipments in the relevant year.

The utilisation rate at our Shenzhen production facility increased from approximately 80.0% in 2012 to approximately 86.0% in 2014. The increase is mainly attributable to the continued growth of shipments of action cameras during the Track Record Period.

The utilisation rate at our Heyuan production facility decreased from approximately 77.9% in 2012 to approximately 60.9% in 2013 primarily because we purchased more equipment in 2012 which considerably increased our capacity. Our utilisation rate increased from approximately 60.9% in 2013 to approximately 92.2% in 2014, mainly because of increased shipments of action camera accessories and related parts in 2014.

PROCUREMENT**Raw Materials, Components and Parts**

We use various raw materials, components and parts throughout our manufacturing process. Our principal raw materials, components and parts include processors (such as DSP), lens and sensor. We generally procure raw materials, components and parts based on purchase orders received from our customers. However, we may also consult customer forecasts when ordering raw materials, components and parts that may require a longer lead time. We generally purchase raw materials, components and parts on an order-by-order basis and do not maintain long-term agreements. The cost of raw materials, components and parts account for a substantial part of our production cost. In 2012, 2013 and 2014, the cost of raw materials, components and parts accounted for 88.2%, 88.0% and 88.0% of our total cost of sales, respectively.

Most of our raw materials, components and parts generally do not experience major price fluctuations. Nonetheless, certain components, such as DSP and sensor, tend to decrease in price gradually as the prices of existing components are driven down by the introduction of more advanced components in the market over time.

We procure our principal raw materials, components and parts directly or indirectly from suppliers based in the United States, Taiwan, Japan and China. Most of our purchases are denominated in U.S. dollars. Our overseas suppliers typically deliver shipments of raw materials, components and parts to Hong Kong and we arrange for ground transportation of the materials, components and parts to our production facilities in China through third-party logistics service providers. Our supply chain management department includes a customs clearance team, which allows us to efficiently process customs declarations internally. During the Track Record Period, we did not experience any shortage or delay in the supply of raw materials, components and parts that materially affected our operations.

Suppliers

For certain JDM products, our customers typically specify one or more approved or designated suppliers for selected raw materials, components and parts for their products and pricing will be determined between our customer and each of those suppliers. For example, GoPro generally designates a specific supplier of key components and parts with whom they have negotiated pricing. Meanwhile, GoPro also provides a list of approved suppliers for certain other components and parts and we negotiate pricing with such supplier. For customer specified suppliers, fluctuations in price do not impact us as any increases in prices of raw materials, components and parts are directly passed on to the customer. Our customers, including GoPro, may also choose to purchase materials themselves and consign the materials to us.

If the customer does not designate any particular supplier, we select the suppliers in accordance with our quality assurance guidelines and negotiate pricing ourselves. We select potential suppliers by reference to a number of factors such as their operation scale, product quality, cost, delivery arrangement, range of services and innovation.

In 2012, 2013 and 2014, purchases from our five largest suppliers accounted for 34.1%, 41.3% and 44.1% of our total purchases, respectively, and purchases from our largest supplier accounted for 18.9%, 12.7% and 13.5% of our total purchases, respectively. All of our suppliers are Independent Third Parties and are not affiliated.

Our suppliers generally grant us credit terms of 30 to 90 days from the issuing date of the invoices and accept our payments by telegraphic transfer.

For information regarding how fluctuations in the cost of raw materials, components and parts affect our financial results, see the section headed “Financial Information – Description of Selected Consolidated Statement of Profit or Loss Line Items – Cost of Sales” in this prospectus.

Inventory Control

Our inventory includes raw materials, components and parts, work-in-progress and finished products. We maintain a safety inventory of commonly used raw materials and components in our production process to support our production needs for off-the-shelf products, as well as to make prototypes for our own research and development purposes. In general, raw materials, components and parts, work-in-progress and finished products are in inventory for a month or less.

SALES AND MARKETING

We sell the majority of our products directly to brand customers which sell these products to the market under their own brands. We also sell some of our products to downstream suppliers who partner with brand customers. Our brand customers include, for example, GoPro, iON, NETGEAR and Canary.

We also manufacture and sell off-the-shelf products on an ODM basis. We market and sell these products to brand customers, importers and retailers.

We conduct our marketing and promotion and customer relationship building through participating in large international exhibitions. During the Track Record Period, we participated in various exhibitions, including the Hong Kong Electronics Fair (Spring and Autumn editions), China Sourcing Fair: Electronics & Components and the International Consumer Electronics Show. In addition to our marketing office, our product development staff also assists with sales by explaining and demonstrating our technical expertise and experience.

To foster closer ties and better communication, our product planning department provides tailored customer service to our largest JDM and ODM customers to assist with their new product development plans and market positioning. We plan to expand the team to provide similar service to new customers as well in the future.

In addition to JDM and ODM products, we design, manufacture and sell a small amount of digital imaging products under our own brand "SKYPIX". We sell these products domestically to mainly end customers through online channels. Our marketing office includes a team dedicated to promoting the product brand "SKYPIX" in China.

Pricing

We set prices for our JDM and ODM products primarily based on the estimated costs incurred in the production of a product plus a profit margin that varies depending on the type of product and the model sold, which we believe is in line with industry practice. There is no material difference in the gross profit margin between our JDM and ODM products. We periodically review our costs of production, and negotiate and agree with the customer on prices for each purchase order placed. For customers that require additional design and development work, we consider additional costs needed to implement such modifications and report the new price to our customer for approval or further discussion. Pricing may also depend upon the volume of the order. We may sometimes provide a discount for large bulk orders.

Customers

Our major customers include GoPro and several other customers for which we manufacture products on a JDM and ODM basis. In 2012, 2013 and 2014, revenue from our five largest customers, who were all Independent Third Parties, accounted for 85.9%, 85.5% and 89.1% of our total revenue, respectively. In addition, we have been approved or designated by GoPro to manufacture GoPro-related accessories for certain of their suppliers. Apart from GoPro and their suppliers, we manufacture and sell products to a large customer base comprising more than 100 customers.

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The following table sets out the breakdown of our revenue and the percentage of total revenue for GoPro and their suppliers and other customers for the years indicated:

	Year ended 31 December					
	2012		2013		2014	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
GoPro and their suppliers	1,246,324	75.1	1,296,476	79.9	1,729,800	82.7
Other customers	412,505	24.9	326,051	20.1	362,585	17.3
	<u>1,658,829</u>	<u>100.0</u>	<u>1,622,527</u>	<u>100.0</u>	<u>2,092,385</u>	<u>100.0</u>

During the Track Record Period, we recorded an increase in revenue contribution by our aggregate sales to GoPro and their suppliers as our shipments of action cameras and accessories to GoPro and these suppliers generally increased during the same period. This increase in shipments was primarily driven by the fast sales growth of GoPro, which increased at a CAGR of 62.8% between 2012 to 2014, in line with the considerable growth of market demand in recent years.

In the third quarter of 2014, we began commercial production and shipment of home imaging products and sales of home imaging products have become a new revenue source to our business. For the four months ended 30 April 2015, sales of home imaging products generated revenue in the amount of approximately HK\$95.7 million, or 12.2% of total revenue for that period. This contributed to an increase in percentage revenue contribution by customers other than GoPro and their suppliers. For more information on our diversification strategy and its implementation, see the paragraphs below headed “Customer Diversification” in this section of the prospectus.

Relationship with GoPro

We have a strong, long-established relationship with GoPro since 2006. Our shipments of action cameras to GoPro totalled approximately 1.6 million, 1.4 million and 2.2 million units, representing approximately 69%, 37% and 42% of the units shipped by GoPro in the respective years. In 2014, we received an award from GoPro in recognition of our significant achievements as a principal manufacturer. We seek to maintain and further strengthen this relationship to maintain our own competitive position.

We have entered into a global supply agreement (the “**Global Supply Agreement**”) and a master product development agreement (the “**Master Product Development Agreement**”) with GoPro. These agreements provide the framework for our ongoing relationship.

The Global Supply Agreement

The Global Supply Agreement provides the terms under which we manufacture, package and sell products to GoPro. We believe these terms are in line with general market practice.

The Global Supply Agreement provides that we shall supply to GoPro digital video camera products and accessories in accordance with purchase orders from them. Under the terms of the Global Supply Agreement, GoPro will provide us with a 12-month rolling forecast on a monthly basis so that we may purchase materials in preparation for the estimated quantity requirements. We agree to provide written capacity plans with material inventory reporting following the forecasts. If GoPro reduces their forecast, they will be liable for the cost of excess materials purchased under certain circumstances detailed in the Global Supply Agreement.

The prices of the products will be set forth in the purchase orders and will be stated in U.S. dollars. We have agreed that we will issue an invoice to GoPro on the date of delivery and we will ship products FCA our factory location.

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The Global Supply Agreement provides that we shall not use any tooling or related equipment provided or funded by GoPro for any purposes other than those pursuant to the Global Supply Agreement without GoPro's prior written consent. During the Track Record Period, we utilised certain tooling which we designed and custom-made solely for the production of GoPro products (for example, moulds specific to a GoPro product part), for which GoPro paid us tooling fees. Aside from such tooling, we did not use any equipment that was funded or provided by GoPro.

The Global Supply Agreement will continue to be in force until 31 December 2017, unless terminated earlier, and will automatically renew for successive one-year terms until termination or by agreement between GoPro and us. The Global Supply Agreement may be terminated by either party as a result of certain material breach or insolvency situations by the other party, or by 180 days written notice to the other party.

We have also agreed that in order to protect GoPro's intellectual property rights, we will not design or manufacture certain similar camera products, which comprise action sports cameras marketed primarily as such that meet certain exterior designs or technical specifications, during the term of the Global Supply Agreement or for a period of three months after the termination of the agreement. However, we will not be subject to the foregoing restriction if GoPro's purchase orders in any three-month period fall below certain minimum fixed amount as is specified in the Global Supply Agreement. We believe that this restriction does not affect our business relationship with other existing action camera customers because we currently manufacture for them only such products with substantially different exterior designs or technical specifications that do not fall within the restriction of the Global Supply Agreement. Save as disclosed above, we have no other non-compete provisions.

The Master Product Development Agreement

The Master Product Development Agreement sets forth the terms under which we provide design, development and testing services to GoPro and the terms of the intellectual property rights between the parties. We believe these terms are in line with general market practice.

For the duration of this agreement, we will maintain an engineering room exclusive to the engineers at our Company working on GoPro's products to maintain the confidentiality of any documents and materials related to such services. All costs and expenses to be paid by GoPro will be set out in the applicable statement of work.

Under the terms of the Master Product Development Agreement, any intellectual property that we have separately developed or acquired will not be incorporated in any deliverable or product for GoPro without their prior written consent. We further agreed to transfer and assign to GoPro all right, title and interest, including intellectual property rights, that we have or acquire in the products or deliverables created for or furnished under the Master Product Development Agreement or any statement of work. GoPro has agreed to grant us, for the term of the agreement, a non-exclusive, royalty-free licence to use GoPro's intellectual property solely in connection with the development, modification, support and manufacture of products for GoPro.

We have agreed to grant GoPro a non-exclusive, worldwide, royalty-free, perpetual, irrevocable licence to use, reproduce, distribute, make derivative works of and sublicense the Group's intellectual property for the development, modification, support, manufacture, distribution or sale of products manufactured by the Group under the statements of work. We also agreed to grant them other non-exclusive, worldwide, irrevocable royalty-bearing, perpetual licences to use, reproduce, distribute, make derivative works of and sublicense the Group's intellectual property either existing at or created after the time of the Master Product Development Agreement for the development, modification, support, manufacture, distribution or sale of their products.

The Master Product Development Agreement will continue to be in force until terminated by either party as a result of material breach which is not cured within 30 days following written notice or insolvency situations by the other party, or GoPro may terminate, for any reason or for no reason, upon 90 days written notice to us.

Customer Diversification

Diversification Strategy

In 2012, 2013 and 2014, we had 173, 177 and 139 customers other than GoPro and their suppliers, respectively. The decrease in the number of such customers was primarily because of a decrease in customers for our digital imaging products, which is in line with the overall market trend. However, our customer base for action camera and home imaging products has grown during the same period, with 25, 44 and 57 customers (excluding GoPro and their suppliers) in 2012, 2013 and 2014, respectively.

According to Frost & Sullivan, global shipments of smart home IP cameras and smart wearable devices are projected to grow at a CAGR of 72.4% and 80.1%, respectively, from 2015 to 2019. In light of the anticipated fast-growing demand for home imaging and smart wearable products and capitalising on our established capabilities in the research and development and production of digital imaging products, we began to invest in new product planning to expand to the home imaging and smart wearable businesses since 2013. We seek to capitalise on the fast-growing market demand for these products and create new sources of revenue to grow our business and diversify our customer base.

We began commercial production and shipment of home imaging products in the third quarter of 2014. We have since developed and manufactured home imaging products for a number of customers, such as iON, NETGEAR and Canary. We generated revenue from sales of home imaging products in the amount of HK\$50.3 million in 2014 and have continued to record strong sales of home imaging products during the first quarter of 2015. With respect to smart wearable products, we have created and tested various prototypes for marketing at trade exhibitions and other channels. We have also engaged in JDM projects with some brand customers to jointly develop new smart wearable products. We expect to receive purchase orders and begin shipment of smart wearable products by June 2015. We also plan to set up new house brands for our home imaging and smart wearable products while cross-selling to existing customers and attracting JDM and ODM purchase orders from new customers other than GoPro and their suppliers.

Implementation of Diversification Strategy

Based on our unaudited interim financial statements for the four months ended 30 April 2015, our revenue from sales of home imaging products for the four months ended 30 April 2015 had reached approximately HK\$95.7 million, representing approximately 12.2% of our total revenue for the same period. This represented a significant increase compared to 2.4% of our total revenue in 2014. Primarily as a result of the impact of the significant growth of our home imaging sales, the percentage revenue contribution by GoPro and their suppliers had decreased to approximately 76.8% for the four months ended 30 April 2015, as compared to 82.7% in 2014 and 79.9% in 2013.

As the home imaging and smart wearable industries further develop, we expect that we will be able to sell these new products to an increasing number of customers in the next few years. We believe that home imaging and smart wearable products will become the new growth drivers for our business, with their sales to other customers growing at considerably higher rates than our future sales to GoPro and their suppliers in the next few years. Accordingly, the Directors expect that home imaging and smart wearable products will become significant sources of our revenue and the revenue contribution by GoPro and their suppliers, in percentage terms, will decrease gradually over time.

With the expected increase in sales of home imaging and smart wearable products, we plan to upgrade and increase our production capacity by adding five SMT production lines. Please refer to the paragraph above headed “Business Strategies” in this section of the prospectus.

Based on, among others, (i) an interview with our management and customers on the market size and outlook of the home imaging product industry, (ii) the review of the commissioned market research report prepared by Frost & Sullivan, (iii) the revenue contribution and growth for our home imaging products for the three months ended 31 March

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2015, (iv) discussion with our management regarding our production capacity expansion plan for home imaging and smart wearable products, (v) discussion with our management on strategies and steps taken to reduce the relative revenue contribution by GoPro and their suppliers to our Group as a percentage of our total revenue, and (vi) the Directors' view on the effectiveness of our diversification strategy, the Sole Sponsor is of the view that our diversification strategy is effective.

Potential Impact of Any Substantial Negative Developments in Business with GoPro

We are one of the two principal manufacturers for GoPro and our shipments of action cameras to GoPro represented approximately 69%, 37% and 42% of the units shipped by GoPro in 2012, 2013 and 2014, respectively. Based on our longstanding business relationship with GoPro and our significant share of GoPro's shipments, we believe that we and GoPro have a mutually reliant business relationship and it would be practically difficult for either GoPro or us to cease to do business with each other or otherwise reduce shipments sharply in any short period of time. The mutual reliance between GoPro and us also helps to mitigate the risk of customer concentration and its potential adverse impact on our business, financial condition and results of operations. Based on the foreseeable market conditions and our longstanding business relationship with GoPro, among other factors, we expect that our sales to GoPro and their suppliers will not likely decline over the next few years.

Nonetheless, if for any reason GoPro or their suppliers significantly reduce their purchase orders with us, we will seek to identify new action camera customers or utilise the extra production capacity to manufacture more home imaging and smart wearable products since our production facilities and equipment are flexible enough to support production of other products with different specifications. In the unlikely event that GoPro were no longer our customer, we might seek to limit its potential adverse impact on our business, financial condition and results of operations by further promoting our sales of home imaging and smart wearable products and by designing and manufacturing similar camera products for other customers that would otherwise not be permitted under the terms of the Global Supply Agreement should GoPro's purchase orders exceed the minimum purchase commitments. or by furthering our diversification strategies.

For further discussion of the risks associated with our business with GoPro, please see the section headed "Risk Factors – Risks Relating to Our Business and Industry" in this prospectus.

Seasonality

Historically, our sales were subject to seasonality. Revenue fluctuations throughout the year are common in the digital imaging industry which is subject to the seasonal purchase patterns of customers and consumers. We generally experience higher sales in the second half of the year where our customers place purchase orders with us in anticipation of substantial market demand for their products during Christmas and New Year periods.

Delivery

We engage third-party logistics service providers to deliver our products to the order of our customers. We have entered into logistics service agreements with all of the logistics service providers we work with, pursuant to which they are responsible for any direct losses caused during the delivery. We maintain carriage insurance coverage for the delivery of our products.

For GoPro's purchase orders, we ship the products FCA our production facility unless otherwise agreed in the purchase order. We are responsible for transportation and customs arrangements and costs as well as all risk of loss to that point. We also retain title to the products until delivery to the agreed FCA point.

For other overseas customers, we generally deliver to Hong Kong, from which the customer is responsible for arranging shipping of the products to its final destination. The risk of loss follows whoever has the responsibility to deliver. We generally only assume the risk of loss until the shipment reaches Hong Kong.

After-sale

We provide after-sale service that includes a guarantee of the products against manufacturing defects for a period of 12 to 24 months from the date of shipment. The guarantee term depends upon the customer. If a manufacturing defect arises within the guarantee term, we will provide piece-to-piece exchange, repair or full refund as appropriate. Refund values will be based on the latest market price of the product at the time of return. For non-manufacturing defects, we also provide repair services at the customer's costs. In 2012, 2013 and 2014, our returns amounted to HK\$1.1 million, HK\$0.4 million and HK\$1.0 million, respectively, representing approximately 0.05%, 0.02% and 0.06% of our revenue, respectively.

QUALITY CONTROL

We emphasise stringent quality control over our products. We have implemented extensive quality control measures at every stage of our business process, starting with design and product development through to final production. Our quality control policy emphasises the key principles of integrity, efficiency and innovation. We continually update and refine our quality manual to stay current with the latest requirements. Our current quality manual is based on the ISO 9001:2008 standards.

Our quality control department has offices at both the Shenzhen and Heyuan production facilities. The department is split into four divisions: DQA, QA, incoming quality control and outgoing-in-process quality control. Additionally, the technical staff also assists in quality control by maintaining and testing our equipment for safety and efficiency. As at 31 December 2014, our quality control team consisted of more than 200 employees and was led by a senior manager with approximately 17 years of experience in quality control. This senior manager is responsible for establishing and publicising our quality policy and objectives, organising and overseeing our quality control department staff, reviewing inspection records and analysing monthly quality reports.

With respect to our raw materials, components and parts, any new supplier will be evaluated and approved by the procurement division of the supply-chain management department. We have supply inspection and control procedures, which include inspecting and verifying orders at our suppliers' sites. Prior to our initial use, all raw materials, components and parts are subject to sample testing. After each phase of assembly, the work-in-progress will undergo inspection and function testing. Once a product has been fully assembled, it is then subjected to another round of product testing and waterproof testing. After that, there is a further round of inspection and outgoing quality control random sample checks before the final product is delivered. Each phase of testing and inspection has its own particular standard tailored to the specifications of the relevant product.

Moreover, our customers participate in the quality control process. When they first choose to purchase our products, we provide them with a prototype based on our own specifications so that they may assess whether any modifications are desired. They may also periodically inspect our suppliers and our facilities throughout the production process to ensure that they are satisfied with our quality standards. Throughout the process, we maintain close communication with our customers so that we can fully assess their needs and respond effectively to any changes, concerns or inquiries which may arise.

In addition, our plants and relevant facilities are inspected by various levels of PRC national quality inspection agencies in China on a regular basis to ensure that we comply with the PRC product quality laws and regulations.

RISK MANAGEMENT

We utilise an integrated risk management system to minimise and protect against a range of strategic, business, financial and legal risks. Through our risk management system, we seek to manage and reduce risks, encourage effective and reliable communication, maintain legal compliance and improve the efficiency of our business and management.

Our risk management system is implemented on three levels. Its implementation starts with the general manager of each department who is responsible for organising the daily work associated with the relevant policies. The second level involves the active role of the internal

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audit department which centralises our risk management policies and supervises the individual departments through periodic audits. The head of the internal audit department is a certified public accountant in the PRC who has approximately eight years of experience in auditing and approximately one year of financial management experience and received a bachelor's degree in accounting. Finally, the highest level involves decision-making by the board of directors regarding certain risk management decisions. The relevant personnel at these three levels are in frequent communication in order to ensure accurate information is shared between all parties.

In order to formulate and implement effective policies, our risk management system emphasises continuous information gathering. Our risk management system collects data on a variety of business, financial and legal risks such as market demand, technological trends and innovations, comparisons with our competitors, our financial performance and results of operation, product inventories and costs of sales, changes in intellectual property law, company laws and possible legal disputes.

The information gathered is used for risk assessment. Our risk assessment procedures take into account our Company's overall risk philosophy and seek to accurately evaluate how a potential risk may affect our objective in the strategic, business, compliance and financial reporting areas. We seek to identify both internal risks, such as employee ethics, our financial condition or product quality, as well as external risks, such as economic and legal developments, technology advances and environmental factors. Identified risks are assessed on the basis of likelihood of occurrence and the degree of influence it may have on our business. Risks with a high probability of occurring are more closely examined in order to ensure accurate results. We then determine what countermeasures should be implemented in order to avoid, absorb or reduce such risks and any negative consequences.

AWARDS AND CERTIFICATIONS

During the Track Record Period, we received various awards from established organisations and brand customers in recognition of our achievements. The following table sets out the major awards received by us:

Year of award	Award	Awarding organisation or company
2013	Guangdong Province Top 500 Manufacturing Enterprise	Guangdong Manufacturers Association
2013	Guangdong Province Manufacturing Enterprise with Outstanding Contribution	Guangdong Manufacturers Association
2014	An award in recognition of our significant achievements as a principal manufacturer	GoPro

We obtained various certifications for our quality control standards. The following table sets out the major certifications received by us:

Date of grant	Recipient	Certification	Issuing organisation or authority	Validity period
2 September 2014	Sky Light Shenzhen	ISO 9001:2008	Guangdong Zhongjian Certification Co., Ltd.	1 September 2017
4 May 2014	Sky Light Technology (HY)	ISO 9001:2008	Guangdong Zhongjian Certification Co., Ltd.	3 May 2017

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COMPETITION

With the acceleration of the global digital imaging and smart technology industry upgrade and the product replacement cycle, the digital imaging industry is highly competitive and dynamic. We face competition from other ODM manufacturers, as well as brand companies that have their own manufacturing facilities. We also face competition from other mid-and high-end manufacturers in terms of product design and quality as well as advanced technology. As digital imaging technology develops, we may also encounter competition from other sectors such as smartphones. In terms of geographical markets, we face competition not only with hardware manufacturers in Asia but also software developers globally, particularly in the United States. We seek to differentiate ourselves by providing innovative and comprehensive solutions that fully utilise burgeoning cloud computing technology, mobile applications, smart devices and home imaging systems.

In the realm of JDM/ODM, we will compete over production scale and processes, product innovation, research and development technology, cost, price, marketing channels and other aspects. We face competition from a growing number of digital imaging manufacturers in the PRC and throughout Asia, particularly Taiwan. We believe we compete effectively in this marketplace given our long-standing history with leading global brands and our strong internal research and development department, which contributes not only to our manufacturing capability but also provides value-added product innovations and solutions. Our JDM business model also allows us to foster closer relationships with our brand customers.

For our own brand products, as we expand our range of products, we face competition with established and upcoming brands and manufacturers entering the same field.

For further information regarding the competitive landscape and our market position, please see the section headed “Industry Overview” in this prospectus.

EMPLOYEES

As at 31 December 2014, we had a total of 3,424 full-time employees, of which 26 were employed in Hong Kong, 1,622 in Shenzhen and 1,776 in Heyuan. The following table shows the breakdown of our employees by function as at 31 December 2014:

Function	Number of employees
Production	2,367
Product planning and research and development	349
Supply chain management	232
Management, finance and administration	224
Quality assurance	210
Sales and marketing	42
	<hr/>
Total	<u>3,424</u>

During the Track Record Period, there has been no incidence of work stoppages, labour disputes, claims, litigation, administrative action or arbitration relating to labour disputes that has materially and adversely affected our operations.

We view recruitment and training of employees as an important aspect of our business. Our recruitment process includes utilising job search websites, on-site recruitment and referrals. Once hired, our employees undergo a four-part training process, including (i) an orientation where we introduce our corporate culture and norms as well as safety guidelines, (ii) transitional training where new employees are paired with supervisors or mentors to help them learn job skills before they begin work, (iii) on-the-job training which covers management and professional skills and knowledge, and (iv) an annual training plan with specific monthly implementation schemes in order to maintain and improve our employee’s job skills.

All of our employees are paid a fixed salary and a bonus depending on their performance as determined by quarterly assessments. Since the research and development employment market is highly competitive, we seek to provide compensation for our research and

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development staff at above-market rates to attract and retain talent. We regularly review compensation and benefit policies to ensure that our practices are in line with market norms and relevant labour regulations. To provide our employees, among others, additional incentives to enhance our business performance, we have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, under which grantees are entitled to exercise the options to subscribe for Shares subject to the terms and conditions of the respective schemes. For more information on the terms and conditions of the Pre-IPO Share Option Scheme and the Share Option Scheme, see the section headed “Statutory and General Information – Other Information – 14. Share Option Schemes” in Appendix IV to this prospectus.

Social Insurance and Housing Provident Funds Contributions

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees including migrant workers from rural areas are required to participate in, a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund. For more information, please refer to the section headed “Regulatory Overview – PRC Laws and Regulations Relating to Labour Protection” in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint from our employees for insufficient contributions by us to any social insurance or housing provident fund nor had we received any order or notice from the regulatory authorities requesting contributions to any social insurance or housing provident fund. During the Track Record Period, we had made full provision for contributions to all social welfare and housing provident funds.

Some of our employees are migrant workers from rural areas, who typically have a high turnover and different levels of acceptance of the social insurance and housing provident fund systems. Prior to January 2015, Sky Light Technology (HY) had not fully paid our contributions to the social insurance and housing provident funds and the unpaid amounts were RMB3.1 million, RMB2.2 million and RMB2.2 million in 2012, 2013 and 2014, respectively. We have made provision for all of these amounts and have fully paid our contributions to the social insurance and housing provident funds beginning in January 2015. Our PRC Legal Adviser advised that, based on the interview with the relevant competent government authorities in charge of the social insurance and housing provident fund contributions by Sky Light Technology (HY), (i) Sky Light Technology (HY) was not involved in any investigation or imposed any administrative penalty by the relevant government authorities in connection with its social insurance and housing provident fund contributions; and (ii) the risk that Sky Light Technology (HY) will be charged or penalised by the relevant government authorities for any further contributions or any late payment penalty is remote.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to the PRC Production Safety Law, PRC Labour Law and other relevant laws, administrative regulations, national standards and industrial standards which stipulate the requirements to maintain safe production conditions and to protect the occupational health of employees. Pursuant to these requirements, any entity that is not sufficiently facilitated or equipped to ensure safe production shall not engage in production and business operation activities. Entities operating in the PRC must provide production safety education and training programmes, as well as a safe working environment to employees. The design, manufacture, installation, use, inspection and maintenance of production facilities and equipment are required to conform to applicable national or industrial standards.

We have implemented safety measures at our production facilities to ensure compliance with applicable regulatory requirements and to minimise the risk of injury of employees. We conduct periodic inspections of operating facilities to ensure that our production operations are in compliance with existing laws and regulations. Furthermore, we require new employees to receive work safety training.

During the Track Record Period and as at the Latest Practicable Date, we did not experience any material or prolonged stoppages of production due to equipment failure and we did not experience any severe accidents during our production process. As at the Latest Practicable Date, our production facilities had complied with all applicable laws, regulations and standards in the PRC.

ENVIRONMENTAL PROTECTION

We are subject to certain laws and regulations in relation to environmental protection. Please refer to the section headed “Regulatory Overview” in this prospectus for further information about these laws and regulations.

We have engaged a third-party government-certified waste management company to regularly assist with handling recycling and storage of chemical waste by-products that result from the production process at both of our production facilities. Additionally, we have installed filtration and purification systems in our Heyuan production facility in compliance with environment laws and regulations in order to manage the wastewater and air pollutants that result from the spray painting process. The Shenzhen facility does not conduct spray painting operations and thus does not require those additional environment protection systems.

During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or warning in relation to pollution in respect of our production, nor we had been subject to any fines, penalties or other legal actions by government agencies in the PRC resulting from any non-compliance with any environmental protection laws in the PRC and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC environmental government agencies in respect thereof.

INSURANCE

In addition to the government-mandated social insurance and housing fund schemes, we maintain property insurance for our equipment and inventory as well as trade receivables insurance. We believe that our insurance coverage is adequate and is in line with industry practice. During the Track Record Period and up to the Latest Practicable Date, we have not had any material claims or liabilities arising from any accidents relating to our operations, nor did we experience any material production interruptions or product liability incidents.

During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to the Group.

PROPERTIES

As at the Latest Practicable Date, we owned a total of 13 properties and leased a total of 23 properties in Hong Kong and China.

Owned Properties

As at the Latest Practicable Date, we owned 12 properties located in Shenzhen, Guangdong and one property located in Hong Kong.

Out of the 12 properties located in China, five are residential properties located at one site in the Bao’an District in Shenzhen, with a gross floor area of approximately 184 sq.m. The other seven properties are residential properties located at another site in the Bao’an District in Shenzhen, with a gross floor area of approximately 686 sq.m. We purchased all of these 12 properties from the Bao’an Housing Bureau in November 2014 at below-market prices as subsidised rental housing for leasing to eligible research and development staff at rental rates set by the Shenzhen Municipal Government. The 12 properties belong to part of the 800 properties which were developed by Bao’an Housing Bureau under the preferential policy to support local enterprise for the purpose of talent attraction. We have fully paid the purchase price for these properties. However, we have not yet received any title certificates for these properties as it is the government policy to process the application for title certificates for all 800 properties together instead of handling separate applications. Bao’an Housing Bureau will officially provide us further notice at a later stage as to the date and detailed schedule for application for title certificates. Our PRC Legal Advisor advises that because full payment has been made in accordance with the agreement entered into by us and the Bao’an Housing Bureau, there should not be any material legal impediment for us to obtain such title certificates. Our PRC Legal Advisor also advises that we are entitled to limited property rights with respect to subsidised rental housing (including rights to possess, use, internally lease the properties) and may not freely transfer, lease to third parties or mortgage any of these properties.

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The property we own in Hong Kong is a commercial property located in Kwun Tong and has a gross floor area of approximately 180 sq.m. We use this property as office space for our product planning and sales and marketing staff in Hong Kong. As at the Latest Practicable Date, this property was not subject to any title defects.

Leased Properties

As at the Latest Practicable Date, 22 properties were leased and occupied by us in China.

Out of the 22 properties, 21 are located in the Bao'an District in Shenzhen and the High-Tech Development Zone in Heyuan. We use these properties mainly as production facilities and staff dormitory and for welfare purposes for our staff. The properties in the Bao'an District in Shenzhen and Heyuan have a gross floor area of approximately 17,979 sq.m. and 33,764 sq.m., respectively. The landlords for the Shenzhen production facility and staff dormitory have not obtained the building ownership certificate and the construction planning permit. According to our PRC Legal Advisor, we, as the lessee, are not exposed to any penalty which may be imposed on it for not obtaining the relevant permits and the building ownership certificate. For details, please refer to the paragraph headed "Plans to Resolve Risks Related to Title Defects" in this section.

In addition, we leased one property located in the Shenzhen Hi-Tech Industrial Park in the Nanshan District in Shenzhen as at the Latest Practicable Date. This property has a gross floor area of approximately 1,666 sq.m. We use this property as our research and development centre.

As at the Latest Practicable Date, we leased one property in Hong Kong. The property is located in Kwun Tong and has a gross floor area of approximately 237 sq.m. We use this property mainly as office space for our product planning staff in Hong Kong.

Except for Xinyongyi, the landlord for all our leased properties in Heyuan, all our landlords are Independent Third Parties. For details of the lease agreement between us and Xinyongyi, please refer to the section headed "Connected Transaction – Non-Exempt Continuing Connected Transaction Subject to Announcement Requirements" in this prospectus.

As at the Latest Practicable Date, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. As such, according to section 6(2) of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to include a valuation report for all of our interests in land or buildings.

Title Defects with Respect to Our Shenzhen Production Facility

We have entered into a lease agreement with Shenzhen City Huangtian Joint Stock Corporation (深圳市黃田股份合作公司) ("**Huangtian Corporation**"), an Independent Third Party as the lessor, for leasing the premises located at Industrial Plant No. 1, No. 5 and No. 6 Jinbi Industrial Zone, Bao'an District in Shenzhen with a total gross floor area of 11,934 sq.m. as our Shenzhen production facility (the "**Huangtian Plants**"). The term of the lease will expire on 31 December 2019.

According to the collectively-owned land development land use permit, the Huangtian Plants are constructed on collectively-owned land and the owner to the land use rights is entitled to construct properties for residential use only. Huangtian Corporation constructed the properties for industrial use, which is inconsistent with the approved construction usage. Huangtian Corporation has not obtained the building ownership certificate for the Huangtian Plants because it has not obtained the construction planning permit, construction work commencement permit and construction work completion inspection certificate, which was a pre-condition for obtaining the building ownership certificate. We have engaged an appraisal agency to conduct a building safety appraisal and to issue a safety appraisal report on the

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premises of the Huangtian Plants. Based on our understanding, the agency is an authorised national-level Class A design and research enterprise registered under the Housing and Construction Bureau of Shenzhen Municipality with almost 100 national first-class registered architects, first-class registered structural engineers and senior engineers. Based on the safety appraisal report issued by the appraisal agency, our Directors are of the view that the Huangtian Plants are in compliance with all relevant safety requirements.

As advised by our PRC Legal Adviser, by reason of the above title defects, there is a potential risk that the PRC government authorities may deem the leases of Huangtian Plants invalid and unenforceable and, hence, we may be forced to vacate from the Huangtian Plants. As advised by our PRC Legal Adviser, we, as the lessee, are not exposed to any penalty risk directly caused by these title defects and we are not obliged to indemnify Huangtian Corporation for any penalty which may be imposed on it for not obtaining the relevant permits and the building ownership certificate under PRC laws and regulations. Considering that the production lines at Huangtian Plants can be easily relocated to other vacant factory facilities in nearby areas in the Bao'an District and that there are sufficient factory facility vacancies in the area, our Directors are of the view that the Huangtian Plants are not individually or collectively materially crucial to our operation. As we believe that product planning and research and development are fundamental to maintaining our competitiveness and sustaining our future growth, we have established a research and development centre in the Shenzhen Hi-Tech Industrial Park in the Nanshan District in Shenzhen to focus our product planning and research and development efforts. An increasing number of our product planning and research and development staff are based in our research and development centre instead of the Huangtian Plants. As such, the title defects of the Huangtian Plants would have no significant impact on our product planning and research and development capabilities.

During the Track Record Period and up to the Latest Practicable Date, we had not received any challenge by any party as to our rights to occupy and use the Huangtian Plants, nor had we received any notification to vacate from the Huangtian Plants. In terms of the relocation risk, we have obtained a written confirmation jointly issued by the Bao'an Administration of the Urban Planning Land and Resources Commission of Shenzhen (the "**Bao'an Administration**"), the Huangtian Community Resident Committee and the Bao'an District Xixiang Street Office, confirming that (i) the status of the land on which the Huangtian Plants were constructed is collectively-owned land and the relevant land is owned by Huangtian Corporation; (ii) the Huangtian Plants have been regarded as "non-compliant production buildings due to historical reason" by the relevant government authorities and Huangtian Corporation has filed the reports regarding the title defects accordingly; (iii) the lease has been accepted for registration under the requirements of the PRC laws, and within the valid term of such lease agreement we shall be allowed to continue to lease the Huangtian Plants under the existing conditions and the Huangtian Plants will not be required to be demolished. As advised by our PRC Legal Adviser, the Bao'an Administration is the competent authority in respect of the title defects and the risk that the relevant PRC authority will order a mandatory relocation is remote based on the written confirmation described above. Further, our Controlling Shareholders have jointly and severally undertaken to compensate us for all the losses and costs that our Group would incur in the event that we are required to relocate from the Huangtian Plants due to the title defects during the term of the existing leases. According to the lease agreement, there will not be any forfeiture of rental deposit or any form of damages in the event of any force majeure or policy issue during the term of the existing lease.

In order to address the above property defects in the future, we have in place a series of internal control guidelines which aim at establishing strong corporate governance and ensuring compliance with relevant legal and regulatory requirements across a wide spectrum of corporate affairs, including legal compliance and approval requirements relating to property interests in the future. We are dedicated to the continual enhancement and strengthening of its corporate governance and internal control system and seek to adopt and enforce further measures and mechanisms in the future as and when appropriate to ensure a high standard of corporate governance and internal control.

We have not experienced any interruptions in our business due to the title defects which may have or have had a significant effect on its financial position in the 12 months up to the Latest Practicable Date.

Plans to Resolve Risks Related to Title Defects

Our intention with respect to the Huangtian Plants

On the basis of the above and taken into consideration the costs for the relocation, we intend to continue to lease the Huangtian Plants until the lease agreement expires on 31 December 2019. Upon expiry of the lease, we may consider relocating our operations in the Huangtian Plants.

Backup plan for our production facilities at the Huangtian Plants

As advised by our PRC Legal Adviser, Huangtian Corporation, as lessor, is the proper applicant and the responsible party for the relevant title certificates and approvals and we, as lessee, will not be liable for any of these title defects. While the perfection of the title defects is beyond our responsibility and control and the possibility for mandatory relocation is remote, we have formulated a contingency plan as below.

Relocation

We entered into a legally binding agreement (the “**Pre-Lease Agreement**”) on 1 March 2015 with Shenzhen Yihaida Investment Limited (深圳市屹海達投資有限公司) (the “**Shenzhen Backup Plants Landlord**”), an Independent Third Party. Pursuant to the Pre-Lease Agreement, on or prior to 30 November 2016, we have the right to request the Shenzhen Backup Plants Landlord to enter into a formal lease agreement with us to lease certain plants located at Hongye Industrial Park, Lezhujiao Village, Xixiang Town in the Bao’an District in Shenzhen for a term of five years (the “**Shenzhen Backup Plants**”). The Shenzhen Backup Plants are located less than 10 kilometres away from the Huangtian Plants and have a total gross floor area of approximately 16,110 sq.m. for industrial use. The current rental rate of the Huangtian Plants and the rental rate of the Shenzhen Backup Plants provided for under the Pre-Lease Agreement are RMB16.8 per sq.m. and RMB20 per sq.m., respectively. Our Directors believe that the defective title does not account for the difference in rental rate between the Huangtian Plants and the Shenzhen Backup Plants for the following reasons: (i) despite the geographic proximity of the two plants, the Huangtian Plants are significantly older facilities built ten years before the Shenzhen Backup Plants; and (ii) we have been renting the Huangtian Plants since 2000 and believe that, in light of the long-term business relationship with the lessor, the Huangtian Plants are being rented at a favourable rental rate.

In the event that we are forced to relocate from the Huangtian Plants, we can exercise our right under the Pre-Lease Agreement so that we can relocate our production facilities at the Huangtian Plants as necessary to the Shenzhen Backup Plant within ten days, which is the aggregate of (i) a five-day period for relocating of the production lines and (ii) a five-day period for installation and setup of the production lines. Our Directors believe that the costs to relocate our production facilities from the Huangtian Plants to the Shenzhen Backup Plants (including logistic expenses and capital expenditures for refurbishing the Shenzhen Backup Plants) will be approximately HK\$4.9 million, which will be funded by our internal resources. In addition, the leasehold improvements of the Huangtian Plants will be written off in the event of relocation. The net book value of the leasehold improvements as at 31 December 2014 was HK\$0.3 million.

Towards the expiry of the Pre-Lease Agreement and in the event that Huangtian Corporation has yet to rectify the title defects, we will seek to either renew the Pre-Lease Agreement or engage another party for a similar arrangement. As advised by our PRC Legal Adviser, the Shenzhen Backup Plants Landlord owns the legal title of the Shenzhen Backup Plants and is entitled to lease the Shenzhen Backup Plants to a third party, and the Pre-Lease Agreement is legal, valid and binding. On the basis that the gross floor area of the Shenzhen Backup Plants is approximately 4,175 sq.m. larger in size, our Directors consider that the Shenzhen Backup Plants have sufficient space to accommodate the production facilities at the Huangtian Plants. Our Directors consider that we will have a priority to rent the Shenzhen Backup Plants over other lessees as the Pre-Lease Agreement has been entered into. To the best knowledge of our Directors after due enquiries with property agencies, there are also other alternative production facilities (other than the Shenzhen Backup Plants) for long-term leases of comparable size and rent for similar usage within the close vicinity of the Huangtian Plants.

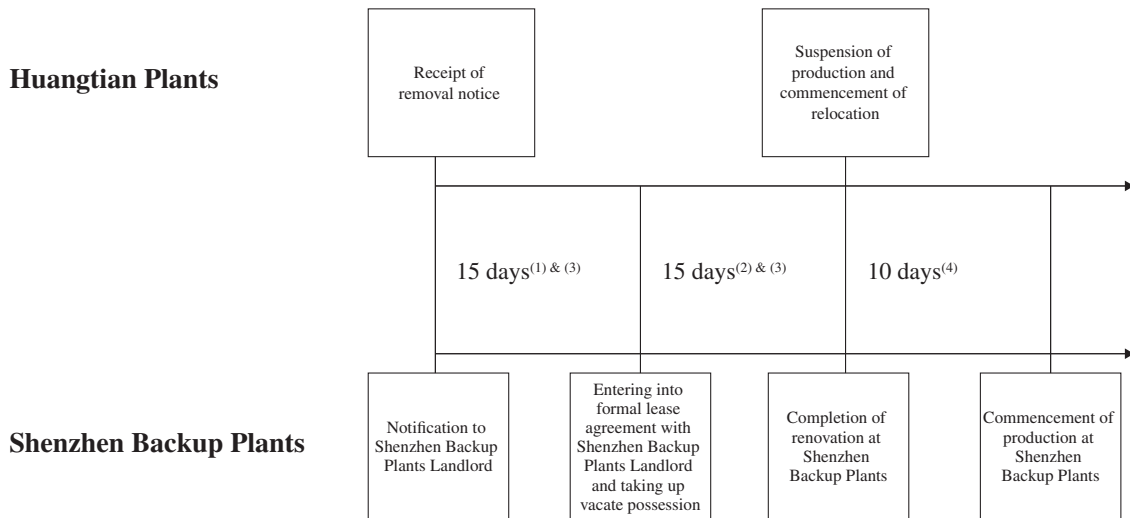
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Arrangement of relocation to Shenzhen Backup Plants

In the event of relocation, we will exercise our right under the Pre-Lease Agreement to request the Shenzhen Backup Plants Landlord to enter into a formal lease agreement with us for all or part of the Shenzhen Backup Plants. Based on our experience in our previous expansion exercise and relocation of certain business units from the Huangtian Plants to Heyuan, the relocation from the Huangtian Plants is expected to take five days and it shall take an additional five days for installation and testing for our production lines. We expect that there will be sufficient time for us to devise the requisite preparations for the relocation upon receipt of the relocation notice by us and our production operations will be fully resumed in ten days from the date we commence the actual physical relocation. For illustrative purposes, in case we are forced to cease to operate our Huangtian Plants and assuming the Huangtian Plants are fully utilised at the time of such occurrence, based on the revenue of the relevant business units having operations in the Huangtian Plants for the year ended 31 December 2014, the loss of the production time of ten days would result in a loss of revenue of approximately HK\$41.0 million, without taking into consideration revenue from (i) any possible re-arrangement of working shifts in the Huangtian Plants, (ii) any possible increased number of working shifts of our unaffected production facility in Heyuan, and (iii) any possible outsourcing arrangement. Please refer to the section headed “Business – Production Facilities” in this prospectus for further information on the designed production capacity and utilisation rate of our Shenzhen production facility.

The following diagram illustrates the timeframe of the relocation plan of the production from Huangtian Plants to Shenzhen Backup Plants:

Timeframe of Relocation from Huangtian Plants to Shenzhen Backup Plants



Notes:

- (1) There will be a 15-day notice period to the Shenzhen Backup Plants Landlord for entering into a formal lease agreements. Production at Huangtian Plants will continue during the period.
- (2) There will be a 15-day renovation period for the Shenzhen Backup Plants. Production at Huangtian Plants will continue during the period.
- (3) We assume that there will be a not less than 30-day notice period given by the relevant authorities for the removal of the Huangtian Plants.
- (4) There will be a 10-day period for relocating, installation and setup of the production lines at Shenzhen backup Plants.

BUSINESS

Salient terms of the Pre-Lease Agreement entered into with the Shenzhen Backup Plants Landlord

The salient terms of the Pre-Lease Agreement are summarised below:

Term	From 1 March 2015 to 30 November 2016.
Subject matter	On or prior to 30 November 2016, we have the right, but not the obligation, to request the Shenzhen Backup Plants Landlord to enter into a formal lease agreement for the necessary number of Shenzhen Backup Plants. The Shenzhen Backup Plants Landlord is obliged to enter into a formal lease agreement with us within 15 working days from the date of our notice.
Rental amount	The total rent amount of the Shenzhen Backup Plants is RMB322,190 per month with an increase of 8% per annum, if we rent all of the Shenzhen Backup Plants in 2015.
Deposit	The aggregate deposit amount is RMB322,190.
Remedy	If the Shenzhen Backup Plants Landlord fails to provide vacant possession of the Shenzhen Backup Plants to us, the Shenzhen Backup Plants Landlord is obliged to search for appropriate plants for us and to bear all additional costs in relation to searching for other plants and shall return double of the deposit amount to us.

REGULATORY COMPLIANCE

As at the Latest Practicable Date, as advised by the PRC Legal Adviser, each of our PRC subsidiaries had obtained the requisite governmental licences, permits and certifications and renewals thereof which are necessary for its operations, and had complied, in all material aspects, with all applicable laws and regulations.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business such as proceedings in respect of disputes with suppliers or customers, labour disputes or infringement of intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, there were no material legal proceedings, regulatory inquiries or investigations made or pending or threatened against us.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, Fortune Six will hold approximately 52.21% of the issued share capital of the Company. Fortune Six is wholly-owned by Best One as nominee for Wing Lung Bank (Trustee) Limited, the trustee of the Tang's Family Trust, which was set up by Mr. Tang Wing Fong Terry, our Chairman, our chief executive officer and an executive Director of our Company. Accordingly, Fortune Six and Mr. Tang will be our Controlling Shareholders immediately after the Global Offering.

None of our Controlling Shareholders, our Directors nor any of their respective associates had interests in any other companies as at the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

To ensure that competition will not exist in the future, each of the Controlling Shareholders entered into a deed of non-competition on 12 June 2015 (the “**Deed of Non-competition**”) with our Company, pursuant to which each of the Controlling Shareholders has, among other things, irrevocably and unconditionally undertaken with our Company that at any time during the Relevant Period (as defined below), each of the Controlling Shareholders shall and shall procure that its associates (other than members of our Group) not be engaged, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, concerned with or interested in, directly or indirectly, whether as a shareholder, partner, agent or otherwise, in the existing business activities of our Group or in any other business that may compete, directly or indirectly with such business (the “**Restricted Businesses**”).

For the above purpose, the “**Relevant Period**” means the period commencing from the date of the Deed of Non-competition and shall expire on the earlier of (i) the date on which the Controlling Shareholders (together with their respective associates), whether directly or indirectly, jointly or severally, cease to be the Controlling Shareholders of our Company; and (ii) the date on which the Shares cease to be listed on the Stock Exchange.

The aforesaid undertaking does not apply with respect to the Controlling Shareholders' holding of or being interested in, directly or indirectly, any shares in any company which conducts or is engaged in, directly or indirectly, any business in competition with or likely to be in competition with the Restricted Businesses, provided that:

- (i) such shares are listed on a recognised stock exchange;
- (ii) the total number of such shares held by any of the Controlling Shareholders and/or their respective associates does not amount to more than 10% of the issued shares of that class of such company in question; and
- (iii) any Restricted Businesses conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets (individually or collectively with their respective associates) as shown in that company's latest audited accounts.

New Business Opportunity

Each of the Controlling Shareholders further undertakes that if any new business opportunity relating to the Restricted Business arises (the “**Business Opportunity**”):

- (i) the Controlling Shareholders shall direct to us any such Business Opportunity by serving on our Company a written notice;
- (ii) such written notice shall include all information together with any documents possessed by it or its associates in respect of the Business Opportunity to enable our Company to evaluate the merit of the Business Opportunity and all reasonable assistance as requested by our Company to enable us to secure the Business Opportunity; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) the Controlling Shareholders shall not pursue the Business Opportunity unless and until our Board resolves (with the supportive votes of a majority of independent non-executive Directors) that our Group shall not pursue such Business Opportunity or our Company does not proceed with the acquisition of Business Opportunity within one month from the date of the written notice.

In addition, it is further provided in the Deed of Non-competition that if there is any disagreement between the Controlling Shareholders and our Company as to whether any Business Opportunity shall directly or indirectly compete or lead to competition with the Restricted Businesses, the matter shall be determined by the independent non-executive Directors whose decision shall be final and binding.

Option and Right of First Refusal

The Controlling Shareholders have granted our Company an option, as part of the Deed of Non-competition, to acquire the whole or part of their interests in any Restricted Business held directly or indirectly by the Controlling Shareholders and the business arising from the Business Opportunity above not taken up or deemed to be not taken up by our Company at any time subject to the Exercise Conditions (as defined below) (the “**Option**”). The price at which the Option will be exercised shall be negotiated and agreed at arm’s length between our Company and the Controlling Shareholders at the time of exercise. If the Controlling Shareholders and our Company fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price.

The Controlling Shareholders have granted our Company a right of first refusal, as part of the Deed of Non-competition, in the event that any one of the Controlling Shareholders or any of their associates wish to sell the whole or any part of its interest in any Restricted Businesses owned by it or the business arising from the Business Opportunity above not taken up or deemed to be not taken by our Company (the “**Right of First Refusal**”).

Decisions as to whether to exercise the Option or the Right of First Refusal shall be subject to the independent non-executive Directors and the independent shareholders (if required) approving the acquisition. In addition, our Company should appoint an independent financial advisor to review the terms of the acquisition of the interests in any Restricted Business and provide a letter of advice to the independent board committee of our Company and the independent Shareholders (if required) (collectively, the “**Exercise Conditions**”).

CORPORATE GOVERNANCE MEASURES

We have adopted the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of the Shareholders:

- (i) the independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-compete undertakings by the Controlling Shareholders;
- (ii) the Controlling Shareholders undertake to provide all information as may be requested by us which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) we will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in our annual reports;
- (iv) the Controlling Shareholders will provide confirmation on compliance pursuant to their undertaking under the Deed of Non-competition in our annual reports;
- (v) our independent non-executive Directors are empowered to engage professional advisers at our costs for advices on matters relating to any Business Opportunity or if and when they think necessary in the course of considering connected transactions or reviewing the compliance with the Deed of Non-competition;
- (vi) we will disclose in an announcement and our interim and annual reports any decision, with basis, of our independent non-executive Directors to pursue or decline the Business Opportunity;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (vii) the Board will ensure that any material conflict or material potential conflict of interests involving the Controlling Shareholders will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities. The conflicted Directors shall be required to refrain from participation in the board meetings on which resolutions with material potential conflicts of interest are discussed;
- (viii) our Company has appointed Guosen Securities (HK) Capital Company Limited as its compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties; and
- (ix) we will observe any transaction that is proposed between us and our connected persons and that will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements of those rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from the Controlling Shareholders and their respective associates after the Global Offering:

Management Independence

The Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Our non-executive Directors and independent non-executive Directors will not participate in our daily operations. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit and in the best interest of our Company and must not allow any conflict between his or her duties as a Director and his or her personal interest. If there is any potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Director shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Mr. Tang Wing Fong Terry is a director of our Company as well as a director of Fortune Six which is a corporate Controlling Shareholder. Since Fortune Six has no business other than holding its shareholding interests in our Company, our Directors do not consider that there is any issue in relation to management independence arising from the overlapping of directors between our Company and Fortune Six.

Having considered the above factors as well as the non-competition undertakings made by the Controlling Shareholders in favour of our Company as described in the section headed "Non-compete Undertakings by Controlling Shareholders" above, our Directors are satisfied that they are able to perform their roles in our Company independently from Fortune Six and Mr. Tang Wing Fong Terry and are of the view that they are capable of managing the business of our Company independently from Fortune Six and Mr. Tang Wing Fong Terry after the Listing.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, the Board of our Company has full rights to make all decisions on, and to carry out, its own business operations independently.

Our Company has its own management team, of which most members are independent from our Controlling Shareholders. Moreover, our Company (through its subsidiaries) holds all relevant licences necessary to carry on its businesses, and has sufficient capital, equipment and employees to operate its business independently from our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Group has independent access to sources of customers and suppliers. Our Group has also established a set of internal control procedures which facilitate the effective operation of our business. As described in the section headed “Management Independence” above, since Mr. Tang Wing Fong Terry and Fortune Six have no business other than holding their shareholding interests in our Company, our Controlling Shareholders had not shared any common facilities or resources during the Track Record Period and up to the Latest Practicable Date.

Save as those disclosed in the section headed “Continuing Connected Transaction” in this prospectus, our Directors currently do not expect that following the Listing, there will be other connected transactions between our Company and our Controlling Shareholders or their respective associates. Our Directors confirm that we will fully comply with Chapter 14A of the Listing Rules if any other connected transaction arises in the future.

Financial Independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and the ability to operate independently from our Controlling Shareholders from a financial perspective.

As at 31 December 2014, our interest-bearing bank and other borrowings in the amount of HK\$164.8 million had been guaranteed by Mr. Tang Wing Fong Terry, which will be discharged upon Listing.

Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Having considered the above reasons, our Directors are of the view that our Group is capable of carrying on its business independently from our Controlling Shareholders and their associates after the Listing.

CONTINUING CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTION

Upon the Listing, we will continue to have certain transaction that constitutes continuing connected transaction as defined by the Listing Rules. Set out below is a summary of the transaction and the waiver we have applied for and have been granted by the Stock Exchange.

Connected Person	Transaction type	Applicable Listing Rule	Waiver applied for and granted
Xinyongyi Science Park (Heyuan) Co., Ltd. (“Xinyongyi”), an associate of Our Directors	Property leasing	Rule 14A.76(2)	Waiver from announcement requirement

Xinyongyi is a company controlled as to 84% by Mr. Wu Yongmou, an executive Director and therefore Xinyongyi is an associate of a connected person of our Company under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION SUBJECT TO ANNOUNCEMENT REQUIREMENTS

Property Leasing Framework Agreement

A property leasing framework agreement dated 15 June 2015 (the “**Property Leasing Framework Agreement**”) was entered into between Xinyongyi as landlord and Sky Light Technology (HY) as tenant in respect of the premises located at (i) 1/F to 4/F, Research and Development Building; (ii) 1/F to 9/F, Staff Dormitory Building; and (iii) Blocks A and B, Management Dormitory Buildings, Xinyongyi Science Park, Ke Shi Er Road, Hi-tech Development Zone, Heyuan, Guangdong, the PRC (the “**Xinyongyi Premises**”) with a gross floor area of approximately 33,763.5 sq.m. subject to adjustment as required by our business needs, for a term of two years and six months commencing on 1 July 2015 and expiring on 31 December 2017 at a rent of RMB10.20 per sq.m. for the area relating to the plant and RMB10.44 per sq.m. for the area relating to employees’ dormitory, and RMB17.46 per sq.m. for the area relating to senior management dormitory. The Xinyongyi Premises consist of the entire premises of our Heyuan production facility and certain other premises used by us as management and staff dormitories. At any time during the term of the Property Leasing Framework Agreement, either Xinyongyi or Sky Light Technology (HY) may terminate the Property Leasing Framework Agreement by paying a penalty equivalent to six months’ rent to the other party.

Historical Transaction Value

In 2012, 2013 and 2014, the gross floor area of such part of the Xinyongyi Premises occupied by us was approximately 22,747 sq.m., 26,357 sq.m. and 30,734 sq.m., respectively, and our rent payment was HK\$2,814,000, HK\$3,675,000 and HK\$4,150,000, respectively.

In consideration of our anticipated business needs, we estimate that the gross floor area of the Xinyongyi Premises and other premises to be occupied by us under the Property Leasing Framework Agreement for the years ending 31 December 2015, 2016 and 2017 will be approximately 34,000 sq.m., 38,000 sq.m. and 42,000 sq.m., respectively. The maximum amount of rent payable by us to Xinyongyi under the Property Leasing Framework Agreement for the years ending 31 December 2015, 2016 and 2017 shall not exceed the caps set out below:

	Proposed annual cap		
	2015	2016	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Property Leasing Framework Agreement	6,400	7,100	7,900

CONTINUING CONNECTED TRANSACTION

In arriving at the above annual caps of rent payable, our Directors have considered (i) the historical rent paid, (ii) the market rent, (iii) the estimated increase in the rent of the premises in the same area and of similar grading as the premises under such lease and (iv) the estimated area to be leased according to the business needs of our Company.

LISTING RULES IMPLICATIONS

The leasing of properties described in the section headed “Property Leasing Framework Agreement” above will constitute a non-exempt continuing connected transaction under the Listing Rules upon the Listing. Pursuant to the Listing Rules, using the proposed annual caps above as the numerators for the purpose of calculating the percentage ratios, each of the relevant percentage ratios for the properties leasing is expected to be less than 5% on an annual basis. Accordingly, the continuing connected transaction contemplated under the Property Leasing Framework Agreement is exempt from shareholders’ approval requirement but is still subject to the announcement and reporting requirements under the Listing Rules.

As the continuing connected transaction described above is expected to continue on a recurring basis after the Listing, our Directors consider that it would not be practical, and would add unnecessary administrative costs to us, to make disclosure of the transaction in compliance with the announcement requirements in Rule 14A.35 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, the waiver from strict compliance with the relevant announcement requirements in respect of the Property Leasing Framework Agreement.

We have complied and will comply with the written agreement requirement under Rule 14A.34 of the Listing Rules, the annual reporting requirement under Rule 14A.49 of the Listing Rules and other requirements applicable under Chapter 14A of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including independent non-executive Directors) consider that the transaction under the Property Leasing Framework Agreement has been entered into in the ordinary and usual course of business and on normal commercial terms and that the terms of the Property Leasing Framework Agreement and the annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Based on the relevant information and historical figures prepared and provided by our Company and the Sole Sponsor’s independent due diligence and discussion with management of our Company, the Sole Sponsor is of the view that (i) the Property Leasing Framework Agreement has been entered into in the ordinary and usual course of business of our Group on normal commercial terms and (ii) the Property Leasing Framework Agreement and the proposed annual caps are fair and reasonable and are in the interests of our Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of eight members, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors were all elected at the Shareholders' meetings, who are subject to retirement, re-election and re-appointment in accordance with the Articles. All our executive Directors have entered into service contracts with our Group.

The duties and powers conferred on our Board include, among other matters:

- performing the corporate governance duties;
- convening Shareholders' meetings and reporting its work to Shareholders;
- implementing Shareholders' resolutions;
- formulating our Company's business plans and investment plans, and formulating our Company's annual budget and final accounts;
- formulating our Company's proposals for profit distributions and recovery of losses;
- formulating our Company's proposals for the increase or reduction of registered capital; and
- exercising other duties and powers as conferred by the Articles.

Our Board is responsible and has general powers for the management and conduct of our business.

The following table sets forth information regarding the current Directors.

Name	Age	Position	Date of Appointment to the Board	Year of Joining our Group	Principal Responsibilities
Tang Wing Fong Terry (鄧榮芳)	56	Chairman, Executive Director & Chief Executive Officer	18 December 2013	2005	Responsible for the overall strategic planning and overseeing the general management of our Group
Wu Yongmou (吳勇謀)	37	Executive Director	25 March 2015	2010	Responsible for the overall management of the operations of Sky Light Technology (HY)
Lu Yongbin (盧勇斌)	42	Executive Director & Chief Financial Officer	25 March 2015	2005	Responsible for the management of overall financial and accounting affairs of our Group
Huang Erwin Steve (黃岳永)	49	Non-executive Director	25 March 2015	2015	Attending meetings of our Board to perform director's duties, but not participating in the day-to-day management of our business operations

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment to the Board	Year of Joining our Group	Principal Responsibilities
Tang Kam Sau (鄧錦繡)	52	Non-executive Director	25 March 2015	2005	Attending meetings of our Board to perform director's duties, but not participating in the day-to-day management of our business operations
Chan Tsu Ming Louis (陳祖明)	56	Independent Non-executive Director	12 June 2015	2015	Attending meetings of our Board to perform director's duties, but not participating in the day-to-day management of our business operations
Wong Kee Fung Kenneth (黃繼鋒)	50	Independent Non-executive Director	12 June 2015	2015	Attending meetings of our Board to perform director's duties, but not participating in the day-to-day management of our business operations
Cheung Wah Keung (張華強)	54	Independent Non-executive Director	12 June 2015	2015	Attending meetings of our Board to perform director's duties, but not participating in the day-to-day management of our business operations

Executive Directors

Mr. Tang Wing Fong Terry (鄧榮芳), aged 56, is the Chairman, an executive Director and the chief executive officer of our Company and the founder of our Group. He was appointed as the Chairman and an executive Director with effect from 18 December 2013. He has been the general manager of our Group and is a director of each of the subsidiaries of our Company. Mr. Tang is primarily responsible for the overall strategic planning and overseeing the general management of our Group. Mr. Tang has more than 20 years of experience in the digital imaging, computer peripherals and consumer electronics industry.

Prior to establishing our predecessor business in 2000, Mr. Tang co-founded Peer Industries Ltd., a company engaged in the trading of materials and production equipment for manufacturing computer diskettes, in 1992.

Mr. Tang received a part-time higher certificate of mechanical engineering from the Hong Kong Polytechnic University in 1982. Mr. Tang is the settlor of the Tang's Family Trust, whose discretionary objects are Mr. Tang and certain of his family members and Mr. Tang is deemed to be interested in the Shares held by Fortune Six and 5,214,000 Shares held by Fortune Sky by virtue of his beneficial interest in the Sky Light Employees' Trust.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Yongmou (吳勇謀), aged 37, is an executive Director. Mr. Wu joined our Group in 2010 and was appointed as an executive Director with effect from 25 March 2015. He is the general manager for Sky Light Technology (HY) and primarily responsible for its overall management. Mr. Wu has more than 10 years of experience in the digital imaging industry and in production management. He is also a director of Sky Light Shenzhen.

Mr. Wu founded Shenzhen Yongyida Electronics Co., Ltd. (深圳市勇藝達電子有限公司), a company engaged in the manufacturing of mobile phone and other communication products, in 2003. In 2007, Mr. Wu established Xinyongyi, a company engaged in the development and operation of science park in Heyuan.

Mr. Wu graduated from the China University of Petroleum, Beijing with an associate degree in business administration through distance learning in 2006. He is also a standing member of the Sixth Heyuan City Committee of the Chinese People's Political Consultative Conference (第六屆中國人民政治協商會議河源市委員會). Mr. Wu is the settlor of the Wu's Family Trust, whose discretionary objects are Mr. Wu's children, and Mr. Wu is deemed to be interested in the Shares held by Yongweida.

Mr. Lu Yongbin (盧勇斌), aged 42, is an executive Director, the chief financial officer and a joint company secretary of our Company. Mr. Lu joined our Group in 2005 and was appointed as an executive Director with effect from 25 March 2015. He is currently the head of our finance department and is primarily responsible for the management of overall financial and accounting affairs of our Group. Mr. Lu has approximately 22 years of experience in accounting and related financial management and 10 years of experience in the digital imaging industry.

Mr. Lu graduated from the Hubei Normal University with an associate degree in accounting and finance in 1998. Mr. Lu became a certified public accountant in the PRC in 2004 and is a fellow member of the Chinese Institute of Certified Public Accountants and the China Certified Tax Agents Association. Mr. Lu is beneficially interested in 3,595,800 Shares held by Fortune Sky by virtue of Mr. Lu Yongbin being a beneficiary of 3,595,800 Shares in the Sky Light Employees' Trust.

Non-executive Directors

Mr. Huang Erwin Steve (黃岳永), aged 49, is a non-executive Director of our Company. Mr. Huang joined our Group on 25 March 2015 and was appointed as a non-executive Director with effect from 25 March 2015.

Mr. Huang is the deputy chairman and a non-executive director of Tse Sui Luen Jewellery (International) Limited (Stock Code: 00417), a company listed on the Stock Exchange.

Mr. Huang is actively engaged in social entrepreneurship with a view to bridging social needs through innovation and information technology. He is currently the president of Hong Kong Information Technology Federation (HKITF) and the founding chief executive officer of WebOrganic, a social enterprise under HK Council of Social Services. Mr. Huang co-founded and currently serves as the vice chair of "Senior Citizen Home Safety Association", a United Nations award-winning non-governmental organisation in Asia, to provide safety bell emergency call service for the elderly in the community through the use of technology, people-oriented services and innovative methods. Mr. Huang also chairs the eLearning Consortium, which is instrumental in driving Hong Kong's eLearning initiative in education reform. In 2011, he was elected as a member of the election committee (information technology) for the Legislative Council and Chief Executive of Hong Kong.

Mr. Huang holds a bachelor of science degree in business administration (business administration and management) from Boston University, the United States.

Ms. Tang Kam Sau (鄧錦繡), aged 52, is a non-executive Director of our Company. Ms. Tang joined our Group in 2005 and was appointed as a non-executive Director with effect from 25 March 2015. Ms. Tang has approximately 10 years of experience in the digital imaging industry.

Ms. Tang is a director of a company which is principally engaged in manufacturing multimedia product packaging materials since 2009.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Tang is also a director of Sky Light Imaging, Sky Light Shenzhen and Sky Light Digital.

Ms. Tang is the sole shareholder of Uphigh Global which holds 39,192,000 Shares, and is deemed to be interested in the Shares held by Uphigh Global.

Independent Non-executive Directors

Mr. Chan Tsu Ming Louis (陳祖明), aged 56, is an independent non-executive Director of our Company. Mr. Chan joined our Group on 12 June 2015 and was appointed as an independent non-executive Director with effect from 12 June 2015.

Mr. Chan has more than 20 years of experience in finance and banking. Between 1982 and 1983, he served as a credit analyst of Banque Nationale de Paris. Between 1983 and 1986, he worked at The Industrial Bank of Japan, Ltd. as a senior marketing officer. He worked at Bankers Trust Company between 1986 and 1995 with his last position as a vice president (capital markets). Mr. Chan joined Standard Chartered Bank in 1995 as a senior manager. Between 2000 and 2001, he was the head of corporate development of Willas-Array Electronics Management Limited, now a wholly-owned subsidiary of Willas-Array Electronics (Holdings) Limited, a company listed on the Stock Exchange (stock code: 854) and the Singapore Stock Exchange. He worked at Standard Bank Asia Limited in 2005 as a director (equity Asia) until 2009. Between 2009 and 2012, he was a senior director (finance and accounting) of Wuhan Admiral Technology Limited, a wholly-owned subsidiary TPV Technology Limited, a wholly-owned subsidiary of TPV Technology Limited (stock code: 903), a company listed on the Stock Exchange which is engaged in the manufacturing, sales and distribution of televisions and computer monitors.

Mr. Chan obtained a master's degree in business administration from the University of Hong Kong in November 1995 and a higher diploma in business studies (banking) from the Hong Kong Polytechnics University in November 1982.

Mr. Wong Kee Fung Kenneth (黃繼鋒), aged 50, is an independent non-executive Director of our Company. Mr. Wong joined our Group on 12 June 2015 and was appointed as an independent non-executive Director with effect from 12 June 2015.

Mr. Wong has more than 20 years of experience in financial management and advisory services. He has been the executive director of Joymaster (Beijing) Consulting Co. Ltd, a company engaged in the provision of financial advisory services to Chinese information technology and manufacturing companies on fundraising and corporate restructuring. He was the chief executive officer of Scitus Cement (China) Holdings Company Ltd. Mr. Wong served as a financial controller at the subsidiaries of Valeo S.A. in China between 1995 and 1997 after his employment with Schlumberger Ltd. between 1993 and 1995. Mr. Wong is an independent non-executive director of Winshine Entertainment & Media Holding Company Limited (Stock Code: 209) since June 2015.

Mr. Wong obtained a bachelor's degree in social sciences from the Chinese University of Hong Kong in 1987 and a diploma from HEC Paris (école des Hautes Etudes Commerciales) in 1993. He is also a fellow member of the Hong Kong Institute of Chartered Public Accountants and the Association of Chartered Certified Accountants, the United Kingdom.

Accordingly, taking into account Mr. Wong's past experiences and qualifications, our Company takes the view that he is experienced in handling accounting or financial work of our Company, familiar with the financial statements, internal control and risk management system of listed companies and has appropriate accounting or related financial management expertise.

Dr. Cheung Wah Keung (張華強), aged 54, is an independent non-executive Director of our Company. Dr. Cheung joined our Group on 12 June 2015 and was appointed as an independent non-executive Director with effect from 12 June 2015. Dr. Cheung has more than 30 years of experience in trading and manufacturing of consumer electronic products.

Dr. Cheung was the chairman and an executive director of Shinhint Acoustic Link Holdings Limited (Stock Code: 2728) from May 2005 to November 2014. Dr. Cheung is the non-executive chairman and an independent non-executive director of Harmonic Strait Financial Holdings Limited (Stock Code: 33) since June 2007. Both of these companies are listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Cheung obtained a bachelor's degree in business administration, a master's degree in global political economy from the Chinese University of Hong Kong, a master's degree in corporate governance and a doctoral degree in business administration from The Hong Kong Polytechnic University. Dr. Cheung has been elected as an awardee of the Young Industrialist Awards of Hong Kong 2005 by the Federation of Hong Kong Industries.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date; (iv) did not have any interest in our Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business and comprises each of our executive Directors and the executives described below.

Mr. Gan Weijun (甘衛軍), aged 47, is the head of research and development of our Group. Mr. Gan joined our Group in October 2002. He is primarily responsible for leading the overall research and development activities of our Group. Mr. Gan has approximately 12 years of experience in the digital imaging industry.

Mr. Gan obtained a bachelor's degree in precision instrument from the Shanghai Jiaotong University in 1989.

Mr. Tsui Chiu (徐超), aged 36, is the head of product planning of our Group. Mr. Tsui joined our Group in April 2011. He is primarily responsible for leading the product planning activities of our Group. Mr. Tsui has approximately 10 years of experience in product planning and management in the consumer electronics industry.

Prior to joining our Group, Mr. Tsui worked at the Hong Kong office of Radioshack between January 2005 and November 2007 and the China office of Office Depot between December 2007 and June 2010, both of which are well-known chain stores in the United States.

Mr. Tsui obtained a bachelor's degree in engineering and master's degree in philosophy from the Hong Kong Polytechnic University in 2001 and 2004, respectively.

Ms. Tse Pik Har (謝碧霞), aged 40, is the head of sales and marketing of our Group. Ms. Tse joined our Group in 2000. She is primarily responsible for the sales and marketing of products of our Group. Ms. Tse has approximately 14 years of experience in sales and marketing.

Prior to joining our Group, Ms. Tse worked at Lee Handerson (HK) Limited, a company engaged in manufacturing of electronic products, between 1997 and 2000, with her last position as an export executive of the company.

Ms. Tse obtained a bachelor of arts (honours) degree in business studies from the Hong Kong Polytechnic University in 1996.

JOINT COMPANY SECRETARIES

Mr. Lu Yongbin (盧勇斌), aged 42, is a joint company secretary of our Company. Mr. Lu is also an executive Director and the chief financial officer of our Company. Please refer to the paragraph above headed "Executive Directors" in this section of the prospectus for further biographical information about Mr. Lu.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Ho Wing Tsz Wendy (何詠紫), aged 45, is a joint company secretary of our Company. Ms. Ho is a director of corporate services at Tricor Services Limited, a global professional service provider specializing in integrated business, corporate and investor services. Prior to joining Tricor Services Limited, Ms. Ho served as a manager of Tengis Limited, the company secretarial department of Ernst & Young in Hong Kong. Ms. Ho has extensive experience in a diverse range of corporate services and has been providing professional services for more than 20 years. Ms. Ho currently serves as the company secretary to the manager of a listed real estate investment trust, the company secretary of the trustee-manager of a fixed single investment trust and its operating company as listed on the Stock Exchange and the company secretary, joint company secretary or assistant company secretary of three listed companies in Hong Kong. Ms. Ho is a chartered secretary as well as a fellow member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries (“HKICS”). She holds a practitioner’s endorsement certificate issued by the HKICS.

STAFF

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

Benefits

As required by the PRC regulations on social insurance and housing provident funds, our PRC subsidiaries participate in the social insurance, which include basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing provident fund schemes operated by the relevant local government authorities.

As required by the employment laws in Hong Kong, our Hong Kong subsidiaries participate in the mandatory provident fund scheme to provide retirement benefits for our Hong Kong staff. Our Hong Kong staff is also entitled to medical welfare and discretionary bonus provided by our Group.

Compensation

The aggregate amounts of total remuneration of our Directors in 2012, 2013 and 2014 were HK\$2.1 million, HK\$2.6 million and HK\$2.8 million, respectively. Details of the arrangement for remuneration are set out in note 9 to our consolidated financial statements in the Accountants’ Report included in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors’ service agreements and letters of appointment referred to in the section headed “Statutory and General Information – Further Information about Directors and Shareholders – 11. Directors – (b) Particulars of Directors’ service contracts” as set out in Appendix IV to this prospectus, the aggregate amount of directors’ fee and other emoluments payable to our Directors for the year ending 31 December 2015 is estimated to be approximately HK\$3.4 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management. After the Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and the performance of our Group. During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or our Group’s five highest paid employees as an inducement to join or upon joining our Group or as compensation for loss of office.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on 12 June 2015 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and provide advice and comments to the Board on matters related to corporate governance.

Our audit committee consists of three members, being Mr. Wong Kee Fung Kenneth, Mr. Chan Tsu Ming Louis and Mr. Cheung Wah Keung. Mr. Wong Kee Fung Kenneth currently serves as the chairman of our audit committee.

Remuneration Committee

Our Company established a remuneration committee on 12 June 2015 with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of our Directors and senior management.

Our remuneration committee consists of three members, being Mr. Wong Kee Fung Kenneth, Mr. Tang Wing Fong Terry and Mr. Chan Tsu Ming Louis. Mr. Wong Kee Fung Kenneth currently serves as the chairman of our remuneration committee.

Nomination Committee

Our Company established a nomination committee on 12 June 2015 with its written terms of reference by reference to the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board on the selection of candidates for any Director and senior management positions.

Our nomination committee consists of three members, being Mr. Tang Wing Fong Terry, Mr. Chan Tsu Ming Louis and Mr. Wong Kee Fung Kenneth. Mr. Tang Wing Fong Terry currently serves as the chairman of our nomination committee.

COMPLIANCE ADVISER

We have appointed Guosen Securities (HK) Capital Company Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult the compliance adviser in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Global Offering in a manner different from that described in this prospectus or where our business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the year ending 31 December 2016 (being the annual report for the first full financial year commencing after the Listing Date), or until its appointment is terminated, whichever is earlier.

DIRECTORS AND SENIOR MANAGEMENT

CODE ON CORPORATE GOVERNANCE PRACTICES

We consider that having Mr. Tang Wing Fong Terry acting as both our Chairman and our chief executive officer will provide a strong and consistent leadership to us and allow for more effective planning and management for our Group. Pursuant to A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, in view of Mr. Tang's extensive experience in the industry, personal profile and critical role in our Group and its historical development, we consider that it is beneficial to the business prospects of our Group that Mr. Tang continues to act as both our Chairman and our chief executive officer after the Listing.

Save as disclosed above, our Directors consider that, as at the Latest Practicable Date, our Company has fully complied with the applicable code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the date of this prospectus and immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised but without taking into account any Shares which may be issued pursuant to the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the following persons will have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/nature of interest	As at the date of this prospectus		Immediately following the completion of the Global Offering	
		Number of Shares or securities held ⁽¹⁾	Approximate percentage of shareholding	Number of Shares or securities held ⁽¹⁾	Approximate percentage of shareholding
Wing Lung Bank (Trustee) Limited ⁽²⁾⁽³⁾⁽⁴⁾	Trustee of a trust	909,607	90.96%	545,824,000	68.23%
Autopex Limited ⁽²⁾⁽³⁾⁽⁴⁾	Nominee for another persons	909,607	90.96%	545,824,200	68.23%
Best One ⁽²⁾	Interest in a controlled corporation	696,096	69.62%	417,717,600	52.21%
Fortune Six ⁽²⁾	Beneficial owner	696,096	69.62%	417,717,600	52.21%
Mr. Tang Wing Fong Terry ⁽²⁾⁽³⁾⁽⁵⁾	Founder of a discretionary trust, beneficial interest	704,786	70.48%	422,931,600	52.87%
Brilliant Sky ⁽³⁾	Interest in a controlled corporation	108,626	10.86%	65,175,600	8.15%
Fortune Sky ⁽³⁾	Beneficial owner	108,626	10.86%	65,175,600	8.15%
Yongdingda ⁽⁴⁾	Interest in a controlled corporation	104,885	10.49%	62,931,000	7.87%
Yongweida ⁽⁴⁾	Beneficial owner	104,885	10.49%	62,931,000	7.87%
Mr. Wu Yongmou ⁽⁴⁾	Founder of a discretionary trust	104,885	10.49%	62,931,000	7.87%

Notes:

- (1) All interests stated are long positions.
- (2) Wing Lung Bank (Trustee) Limited (as trustee of the Tang's Family Trust) holds the entire issued share capital of Fortune Six through Autopex Limited and Best One (as nominees for Wing Lung Bank (Trustee) Limited). Best One in turn holds the entire issued share capital of Fortune Six. The Tang's Family Trust is a discretionary trust established by Mr. Tang Wing Fong Terry (as settlor) and its discretionary objects are Mr. Tang and certain of his family members. Accordingly, each of Mr. Tang, Wing Lung Bank (Trustee) Limited, Autopex Limited and Best One is deemed to be interested in the 696,096 Shares (as at the date of this prospectus) and 417,717,600 Shares (immediately following the completion of the Global Offering) held by Fortune Six.
- (3) Wing Lung Bank (Trustee) Limited (as trustee of the Sky Light Employees' Trust) holds the entire issued share capital of Fortune Sky through Autopex Limited and Brilliant Sky (as nominees for Wing Lung Bank (Trustee) Limited). Brilliant Sky in turn holds the entire issued share capital of Fortune Sky. The Sky Light Employees' Trust is a discretionary trust whose trustee is Wing Lung Bank (Trustee) Limited and its discretionary objects are the Fortune Sky Shareholders. Accordingly, each of Wing Lung Bank (Trustee) Limited, Autopex Limited and Brilliant Sky is deemed to be interested in the 108,626 Shares (as at the date of this prospectus) and 65,175,600 Shares (immediately following the completion of the Global Offering) held by Fortune Sky.

SUBSTANTIAL SHAREHOLDERS

- (4) Wing Lung Bank (Trustee) Limited (as trustee of the Wu's Family Trust) holds the entire issued share capital of Yongweida through Autopex Limited and Yongdingda (as nominees for Wing Lung Bank (Trustee) Limited). Yongdingda in turn holds the entire issued share capital of Yongweida. The Wu's Family Trust is a discretionary trust established by Mr. Wu Yongmou (as settlor) and its discretionary objects are Mr. Wu's children. Accordingly, each of Mr. Wu, Wing Lung Bank (Trustee) Limited, Autopex Limited and Yongdingda is deemed to be interested in the 104,885 Shares (as at the date of this prospectus) and 62,931,000 Shares (immediately following the completion of the Global Offering) held by Yongweida.
- (5) Mr. Tang is deemed to be interested in the 8,690 Shares (as at the date of this prospectus) and 5,214,000 Shares (immediately following the completion of the Global Offering) held by Fortune Sky by virtue of his beneficial interest in the Sky Light Employees' Trust.

Save as disclosed herein, the Directors are not aware of any person (who are not Directors nor chief executive of the Company) who will, immediately following the completion of the Global Offering but without taking into account any Shares which may be taken up or acquired under the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

Assuming that the Global Offering becomes unconditional, the authorised share capital of our Company is as follows:

	<i>HK\$</i>
Authorised share capital: 1,000,000,000 Shares of HK\$0.01 each	10,000,000
	10,000,000

Assuming that the Over-allotment Option is not exercised, the issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

	<i>HK\$</i>	Approximate percentage of issued share capital (%)
<i>Issued and to be issued, fully paid or credited as fully paid, upon the completion of the Capitalisation Issue and the Global Offering:</i>		
1,000,000	Shares in issue as at the date of this prospectus	10,000 0.12
599,000,000	Shares to be issued under the Capitalisation Issue	5,990,000 74.88
200,000,000	Shares to be issued under the Global Offering (excluding any shares which may be issued under the Over- allotment Option)	2,000,000 25.00
800,000,000	Shares in total	8,000,000 100.00

Assuming that the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

	<i>HK\$</i>	Approximate percentage of issued share capital (%)
<i>Issued and to be issued, fully paid or credited as fully paid, upon the completion of the Capitalisation Issue and the Global Offering:</i>		
1,000,000	Shares in issue as at the date of this prospectus	10,000 0.12
599,000,000	Shares to be issued under the Capitalisation Issue	5,990,000 72.17
230,000,000	Shares to be issued under the Global Offering and the Over-allotment Option	2,300,000 27.71
830,000,000	Shares in total	8,300,000 100.00

SHARE CAPITAL

ASSUMPTIONS

The above tables take no account of (i) any Shares which may be issued upon the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or (ii) any Shares which may be issued or repurchased by our Company pursuant to the general mandate given to the Directors to allot and issue or repurchase Shares as described below.

RANKING

The Offer Shares, including Shares that may be issued pursuant to the exercise of the Over-allotment Option, will rank pari passu in all respects with all other existing Shares in issue as described in this prospectus and, in particular, will be entitled to all dividends and other distributions to be declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEMES

We conditionally adopted the Pre-IPO Share Option Scheme on 29 May 2015. Under the Pre-IPO Share Option Scheme, the eligible participants of the scheme, including directors and full-time employees of our Company or its subsidiaries, may be granted options which entitle them to subscribe for Shares. Further details of the terms of the Pre-IPO Share Option Scheme are summarised in the section headed “Statutory and General Information – Other Information – 14. Share Option Schemes – B. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

We conditionally adopted the Share Option Scheme on 12 June 2015. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or its subsidiaries, may be granted options which entitle them to subscribe for Shares, when aggregated with options to be granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information – Other Information – 14. Share Option Schemes – A. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (i) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (ii) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the Repurchase Mandate.

The Directors may, in addition to the Shares which they are authorised to issue under the General Mandate, allot, issue and deal with Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. The aggregate nominal value of the Shares which the Directors are authorised to allot and issue under this General Mandate will not be reduced by the allotment and issue of such Shares.

This General Mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting;

whichever occurs first.

SHARE CAPITAL

For further details of the General Mandate, see the section headed “Statutory and General Information – Information about our Company – 3. Resolutions in writing of the Shareholders passed on 12 June 2015” in Appendix IV to this prospectus.

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the Over-allotment Option).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed “Statutory and General Information – Information about our Company – 7. Securities repurchase mandate” in Appendix IV to this prospectus.

This Repurchase Mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting;

whichever occurs first.

For further information about this Repurchase Mandate, see the section headed “Statutory and General Information – Information about the Company – 3. Resolutions in writing of the Shareholders passed on 12 June 2015” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) sub-divide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution. For further details, please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (c) Alteration of Capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (d) Variation of Rights of Existing Shares or Classes of Shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes set out in the Accountants' Report included in Appendix I to this prospectus. The Accountants' Report contains our audited consolidated financial statements as at and for the years ended 31 December 2012, 2013 and 2014. Our consolidated financial statements have been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions. This discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described in the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a leading digital imaging device and solution provider for the action camera industry globally. We are a principal manufacturer for GoPro, a major camera brand in terms of 2014 shipments according to Frost & Sullivan. We offer design-driven JDM and ODM solutions to our customers. With our production facilities and research and development centre located in China, we have been primarily engaged in developing and manufacturing action cameras and related accessories, as well as other digital imaging products such as traditional digital cameras, portable scanners and digital camcorders for various uses. In recent years, we have begun expanding our product offerings by actively pursuing new product planning in the fast-growing home imaging and smart wearable markets. We began commercial shipment of our newly developed cloud camera, our first home imaging product, in the third quarter of 2014 and expect to begin shipment of our smart wearable products by June 2015.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 18 December 2013. We underwent a reorganisation in anticipation of the Global Offering, pursuant to which our Company became the holding company of the companies now comprising our Group. As the companies now comprising our Group were under the common control of the Controlling Shareholders before and after the Reorganisation, the Reorganisation has been accounted for on the basis of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period. Accordingly, our consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for any year during the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the relevant subsidiaries or businesses first came under the common control of the Controlling Shareholders, where this is the shorter period. Our consolidated statements of financial position as at each reporting date during the Track Record Period have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganisation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by a number of factors, including those set out below:

Our Relationships with GoPro and GoPro's Suppliers

Our sales to GoPro have contributed, and are expected to continue to contribute, a substantial proportion of our sales. In addition, we have been approved or designated by GoPro to manufacture GoPro-related accessories for certain of their suppliers. Our revenue from GoPro and these suppliers together accounted for 75.1%, 79.9% and 82.7% of our total revenue in 2012, 2013 and 2014, respectively. As a result, our financial condition and results of

FINANCIAL INFORMATION

operations are affected by our ability to remain a preferred manufacturer for our customers and continue to receive purchase orders from them. Our ability to do so is, in turn, affected by factors such as our design and research and development capabilities, our quality control standards, the success of new product introduction and our customers' own business and market performance.

Product Mix

We develop, manufacture and sell digital imaging products as our principal products. We have developed and will continue to develop new products, including new types of digital imaging products, such as home imaging products, and other non-digital imaging products, such as smart wearable products, to expand and diversify our product portfolio. We began shipments of home imaging products in the third quarter of 2014 and expect to launch shipments of smart wearable product by June 2015. We expect sales of home imaging and smart wearable products to become significant sources of revenue in the next few years. As different products generally have different demand and prices and are in different stages of their product cycles, our results of operations could be affected by the mix of products manufactured and sold in a particular period.

Market Demand for Our Products

We historically generated the majority of revenue from the sale of action camera and related accessories, which accounted for 85.2% of our total revenue in 2014. As such, our results of operations are affected by the general market demand for action cameras and, in particular, our action camera products and related accessories. According to Frost & Sullivan, global action camera shipment grew at a CAGR of 104.2% from 2010 to 2014 but is expected to slow to a CAGR of 18.3% from 2015 to 2019 with approximately 20.3 million units forecasted to be shipped in 2019. As such, we do not expect the market for action cameras to grow in the future at the same rate as it had in the past. Our results of operations will depend on our ability to keep pace with market demand and maintain or increase our market share.

Our business and results of conditions are also affected by the general market demand for our new products. For example, according to Frost & Sullivan, global smart home IP camera shipments and global smart wearable device shipments are expected to grow significantly at the CAGRs of 72.4% and 80.1%, respectively, from 2015 to 2019 with shipments forecasted to reach 25.1 million units and 1.4 billion units, respectively, in 2019. As we seek to expand into the home imaging and smart wearable businesses, our future growth will depend on the market demand for these products and our ability to successfully expand into these markets.

Competitiveness in Product Design and Technologies

We develop, manufacture and sell action cameras and other products under the JDM and ODM business models. Product design and technologies are therefore key to the success of our products and our business. We focus on continually enhancing our product planning and research and development capabilities to enable us to introduce or improve products that can adeptly address evolving consumer needs. As existing competitors introduce new and more competitive offerings and new competitors, including leading mobile phone or other consumer electronics brands with competitive proprietary technologies, enter the market, we expect competition to intensify in the future. Our products may also face competition from a broader range of products. As a result, our ability to offer competitive product design and technologies and compete effectively with our existing and new products will have a significant impact on our results of operations.

FINANCIAL INFORMATION

Pricing and Cost of Raw Materials, Components and Parts

We price a product generally based on our estimated or actual costs incurred in its production plus a profit margin. The gross profit margin during the Track Record Period for our main product lines generally varied from approximately 15% to approximately 29%. Action cameras generally had lower gross profit margins compared to accessories. In 2012, 2013 and 2014, our overall gross profit margin was 19.8%, 20.7% and 21.3%, respectively. Our results of operations are therefore affected by our ability to price our products at our desired profit margins and to accurately estimate and account for our costs of production under this cost-plus pricing structure. Our pricing and bargaining power can be affected by market factors such as intensified competition from other manufacturers and any decrease in wholesale or retail prices to our customers in the end market, as well as changes in demand for our own products. Meanwhile, changes in the average costs of our raw materials, components and parts may also affect our profitability to the extent that we cannot or do not pass on all of the changes to our customers.

Production Capacity

We had a total production capacity of approximately 3.3 million units of action cameras and approximately 120.0 million units of accessories as at 31 December 2014. In 2014, the utilisation rate for our Shenzhen production facility and our Heyuan production facility was 86.0% and 92.2%, respectively. Our future growth will depend upon our ability to maintain efficient operations at our existing production facilities and our ability to expand our production capacity as needed. In particular, as we continue to grow and expand our business, we expect to acquire additional production lines and possibly a new production facility to increase our production capacity. We seek to have sufficient production capacity and effectively adjust our production facilities to manufacture different types of products. Our future growth and results of operations will be affected by our investment in and continual maintenance and upgrading of production facilities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management to make subjective and complex judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our significant accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements. Our significant accounting policies, judgements and estimates, which are important for an understanding of our financial condition and results of operations, are set out in further detail in notes 3 and 4 to our consolidated financial statements in the Accountants' Report included in Appendix I to this prospectus.

FINANCIAL INFORMATION

Revenue Recognition

Revenue from the sale of a product is recognised when (i) it is probable that the economic benefits will flow to the us; (ii) revenue can be measured reliably; and (iii) the significant risks and rewards of ownership have been transferred to our customer, provided that we maintain neither managerial involvement to the degree usually associated with ownership of the product nor effective control over it.

Depreciation of Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life using the following annual rates:

	Annual rates of depreciation
Buildings	4.5%
Leasehold improvements	18%
Machinery	9%-18%
Motor vehicles	18%
Office and other equipment	18%-30%

In determining the useful life and residual value of an item of property, plant and equipment, we have to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on our experience with similar assets that are used in a similar way. The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate at least, at each financial year end based on changes in circumstances.

Write-down of Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal and these estimates require our assessment of excess or obsolete inventories based primarily on the latest invoice prices and prevailing market conditions. We write down the carrying amount of inventories to net realisable value to the extent net realisable value falls below cost. A write-down is reversed if there has been a change in the estimates used to determine the net realisable value of the relevant inventories.

In 2012, 2013 and 2014, we recorded a write-down of inventories to net realisable value amounting to HK\$20.8 million, HK\$7.6 million and HK\$3.7 million, respectively. These write-downs were mainly attributable to the obsolete and slow-moving traditional digital camera inventories resulting primarily from the general decline in market demand for traditional digital cameras.

Impairment of Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are subsequently measured at amortised cost using the effective interest method.

We assess at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably

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estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For receivables carried at amortised cost, we first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, we include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in our consolidated statement of profit or loss and other comprehensive income. Receivables together with any associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to our consolidated statement of profit or loss and other comprehensive income.

Derivative Financial Instruments

We use derivative financial instruments consisting of forward currency contracts to manage our foreign currency risk. As at the 31 December 2014, we had four forward currency contracts in force with several commercial banks in Hong Kong, each of which had a two-year term with monthly settlements unless terminated earlier in accordance with any stated conditions. Subject to the terms and conditions of these forward currency contracts, we have generally agreed to execute currency trades on each settlement date that have the effect of purchasing a specified Renminbi amount for each trade, provided that certain conditions relating to knock-out options (which set caps on the level to which an option can reach) are met, with U.S. dollars at agreed forward rates ranging from 6.13 to 6.40. The notional transaction amount on each settlement date may vary depending on the spot rate at the time. The maximum aggregate notional transaction amount under these forward currency contracts is US\$7.1 million per month. All of the agreed forward currency contracts do not require any upfront or premium payment from us.

In general, we have agreed to execute currency trades on each settlement date that have the effect of purchasing a specified amount of Renminbi funds, provided that certain termination events (which set caps on the level to which an option can reach) have not occurred.

With respect to the first contract, which will expire on 3 March 2016, on each settlement date, (i) if the spot exchange rate of U.S. dollars against Renminbi is equal to or lower than 6.22, we will purchase RMB933,000 with U.S. dollar funds at a fixed rate of 6.22, (ii) if the spot exchange rate is greater than 6.22, we will purchase RMB1,866,000 with U.S. dollar funds at a fixed rate of 6.22.

With respect to the second contract, which will expire on 24 February 2016, on each settlement date, (i) if the spot exchange rate of U.S. dollars against Renminbi is equal to or lower than 6.14 but greater than 6.000, we will purchase RMB5,526,000 with U.S. dollar funds at a fixed rate of 6.14; (ii) if the spot exchange rate is equal to or lower than 6.205 but greater than 6.14, neither we nor the bank will have to pay any amount; and (iii) if the spot exchange rate is greater than 6.205, we will purchase RMB5,526,000 with U.S. dollar funds at a fixed rate of 6.14.

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With respect to the third contract, which will expire on 26 February 2016, (a) on each settlement date on or before 25 February 2015, (i) if the spot exchange rate of U.S. dollars against Renminbi is lower than 6.20, we will purchase RMB6,200,000 with U.S. dollar funds at a fixed rate of 6.20; (ii) if the spot exchange rate is equal to or lower than 6.30 and equal to or greater than 6.20, neither we nor the bank will have to pay any amount; and (iii) if the spot exchange rate is greater than 6.30, we will purchase RMB12,400,000 with U.S. dollar funds at a fixed rate of 6.20; and (b) on each settlement date after 25 February 2015, (i) if the spot exchange rate is lower than 6.13, we will purchase RMB6,130,000 with U.S. dollar funds at a fixed rate of 6.13; (ii) if the spot exchange rate is equal to or lower than 6.25 and equal to or greater than 6.13, neither we nor the bank will have to pay any amount; and (iii) if the spot exchange rate is greater than 6.25, we purchase RMB12,260,000 with U.S. dollar funds at a fixed rate of 6.13.

With respect to the fourth contract, which has already expired as at the Latest Practicable Date, on each settlement date, (i) if the spot exchange rate of U.S. dollars against Renminbi is lower than 6.15, we will receive a fixed amount of RMB80,000 from the bank; (ii) if the spot exchange rate is equal to or lower than 6.25 but greater than 6.15, we will receive a fixed amount of RMB160,000 from the bank; (iii) if the spot exchange rate is equal to or lower than 6.40 but greater than 6.25, we will receive a fixed amount of RMB80,000 from the bank; (iv) if the spot exchange rate is greater than 6.40 but equal to or lower than the 6.45, neither we nor the bank will receive any payment; and (v) if the spot exchange rate is greater than 6.45, we will purchase RMB25,600,000 with U.S. dollar funds at a fixed rate of 6.40.

All of the agreed forward currency contracts do not require any upfront or premium payment from us.

These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The derivative instruments that we entered into were not qualified as hedging instruments in hedge relationships as defined by HKAS 39. Accordingly, changes in the fair value of these derivative instruments are recognised in our consolidated statements of profit or loss.

Taxation

Income tax comprises current and deferred tax. Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. We carefully evaluate tax implications of transactions and record tax provisions accordingly. In addition, we reconsider the tax treatment of such transactions periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for all deductible temporary differences and the carryforward of unused tax credits and any unused tax losses. In general, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which these items can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Deferred tax liability is recognised for withholding tax levied on dividends declared by PRC subsidiaries in our Group to its immediate non-PRC holding company. Withholding tax is provided for the profits of such subsidiary if we consider that it is probable to distribute the profits in the foreseeable future. Significant management judgement is required to determine the timing of distribution of the dividends and the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS LINE ITEMS

Revenue

Revenue represents the net invoiced value of the products sold by us, after deducting allowances for returns and trade discounts.

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As at the date of this prospectus, our products consist mainly of the following categories: (i) action camera and accessories, (ii) digital imaging, (iii) home imaging, and (iv) smart wearable. We generate revenue predominantly from sales of these products, as well as from sales of miscellaneous non-imaging products such as Wi-Fi box and tooling fees associated with products that we manufacture for certain major customers. While we historically generated the majority of revenue from the sale of action camera and accessories, we expect our home imaging and smart wearable businesses to grow significantly in the next few years.

The following tables set out (i) the breakdown of our revenue by product type, (ii) our revenue from sales of major products and their shipments, and (iii) the selling price ranges of our major products for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	HK\$'000	of total %	HK\$'000	of total %	HK\$'000	of total %
Product type						
Action camera and accessories	1,259,183	75.9	1,304,403	80.4	1,783,521	85.2
Digital imaging	376,025	22.7	225,382	13.9	199,819	9.6
Home imaging ⁽¹⁾	–	–	62	0.0	50,305	2.4
Others ⁽²⁾	23,621	1.4	92,680	5.7	58,740	2.8
Total⁽³⁾	1,658,829	100.0	1,622,527	100.0	2,092,385	100.0

Notes:

- (1) Home imaging products commenced commercial production and shipment in the third quarter of 2014.
- (2) Others include miscellaneous non-imaging products such as Wi-Fi box and tooling fees.
- (3) Smart wearable products are expected to commence production and shipment by June 2015.

	Year ended 31 December					
	2012		2013		2014	
	Revenue	Shipments	Revenue	Shipments	Revenue	Shipments
	HK\$'000	'000 units	HK\$'000	'000 units	HK\$'000	'000 units
Major product						
Action camera and accessories:						
Action camera	938,757	1,635	808,761	1,539	1,164,119	2,380
Accessories	320,426	17,014	495,642	32,975	619,402	64,401
	<u>1,259,183</u>		<u>1,304,403</u>		<u>1,783,521</u>	
Digital imaging:						
Digital camera	189,058	866	129,934	595	125,798	574
Scanner	164,883	641	85,314	316	64,024	238
Others	22,084	N/A	10,134	N/A	9,997	N/A
	<u>376,025</u>		<u>225,382</u>		<u>199,819</u>	
Home imaging	–	–	62	*(1)	50,305	122

Note:

- (1) Less than 1,000 units

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	Year ended 31 December		
	2012	2013	2014
Major Product	Selling price range	Selling price range	Selling price range
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Action camera and accessories:			
Action Camera	268 – 857	294 – 856	171 – 750
Accessories	0.23 – 639	0.23 – 720	0.12 – 548
Digital Imaging:			
Digital Camera	33 – 343	80 – 458	51 – 388
Scanner	61 – 802	155 – 814	140 – 747
Home Imaging	N/A	238 – 322	202 – 2,175

During the Track Record Period, GoPro constituted our largest source of revenue and we have been approved or designated by GoPro to manufacture GoPro-related accessories for certain of their suppliers. Our revenue from GoPro and these suppliers together accounted for 75.1%, 79.9% and 82.7% of our total revenue in 2012, 2013 and 2014, respectively. The following table sets out the breakdown of our shipments of action cameras sold to GoPro and other customers for the years indicated:

	Year ended 31 December		
	2012	2013	2014
	<i>'000 units</i>	<i>'000 units</i>	<i>'000 units</i>
Action camera shipments			
GoPro	1,594	1,440	2,198
Other customers	41	99	182
Total	<u>1,635</u>	<u>1,539</u>	<u>2,380</u>

We sell products mainly to customers in the United States, including GoPro. We expect the U.S. market will continue to account for the majority of our revenue in the foreseeable future. Our sales in China had significantly increased during the Track Record Period primarily due to increases in sales to certain suppliers of action camera accessories located in China. Our sales in the European Union had generally decreased during the Track Record Period due to declining sales of digital cameras, which was generally in line with weaker market demand for digital cameras in recent years. The following table sets out the breakdown of revenue by location of customers in terms of absolute amount and as a percentage of total revenue for the years indicated:

	Year ended 31 December					
	2012		2013		2014	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
United States	1,424,603	85.9	1,408,639	86.8	1,786,932	85.4
China	36,849	2.2	62,621	3.9	135,647	6.5
European Union	117,226	7.1	59,224	3.6	62,685	3.0
Other countries	80,151	4.8	92,043	5.7	107,121	5.1
	<u>1,658,829</u>	<u>100.0</u>	<u>1,622,527</u>	<u>100.0</u>	<u>2,092,385</u>	<u>100.0</u>

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Cost of Sales

Cost of sales represents costs and expenses directly attributable to the manufacture of our products and comprises (i) raw materials, components and parts, including, among others, key components such as DSP, lens and sensor, (ii) direct labour, and (iii) production overhead, including mainly depreciation of production equipment and indirect labour. The following table sets out the breakdown of cost of sales in terms of absolute amount and as a percentage of total cost of sales for the years indicated:

	Year ended 31 December					
	2012		2013		2014	
	<i>HK\$'000</i>	<i>% of total cost of sales</i>	<i>HK\$'000</i>	<i>% of total cost of sales</i>	<i>HK\$'000</i>	<i>% of total cost of sales</i>
Raw materials, components and parts:						
DSP	134,634	10.1	119,900	9.3	174,883	10.6
Lens	93,540	7.0	77,468	6.0	94,902	5.8
Sensor	172,773	13.0	65,005	5.1	62,581	3.8
Others	772,091	58.1	870,444	67.6	1,115,973	67.8
	<u>1,173,038</u>	<u>88.2</u>	<u>1,132,817</u>	<u>88.0</u>	<u>1,448,339</u>	<u>88.0</u>
Direct labour	75,937	5.7	78,212	6.1	112,462	6.8
Production overhead	81,464	6.1	76,141	5.9	85,817	5.2
	<u><u>1,330,439</u></u>	<u><u>100.0</u></u>	<u><u>1,287,170</u></u>	<u><u>100.0</u></u>	<u><u>1,646,618</u></u>	<u><u>100.0</u></u>

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of raw materials, components and parts, which is the largest component of our cost of sales, on our profit for the year during the Track Record Period. Fluctuations are assumed to be 1%, 5% and 10% for the years indicated, which correspond to the range of historical fluctuations in the cost of raw materials, components and parts during the Track Record Period and we believe will commensurate with future estimated fluctuations in such cost.

	Percentage change in cost of raw materials, components and parts					
	-10%	-5%	-1%	+1%	+5%	+10%
	<i>HK\$'000 (except percentages)</i>					
Year ended 31 December 2012						
Change in cost of sales	(117,304)	(58,652)	(11,730)	11,730	58,652	117,304
Change in profit for the year	94,192	47,096	9,419	(9,419)	(47,096)	(94,192)
Percentage change in profit for the year	+54.9%	+27.5%	+5.5%	-5.5%	-27.5%	-54.9%
Year ended 31 December 2013						
Change in cost of sales	(113,282)	(56,641)	(11,328)	11,328	56,641	113,282
Change in profit for the year	92,823	46,412	9,282	(9,282)	(46,412)	(92,823)
Percentage change in profit for the year	+56.2%	+28.1%	+5.6%	-5.6%	-28.1%	-56.2%

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Percentage change in cost of raw materials, components and parts
-10% -5% -1% +1% +5% +10%
HK\$'000 (except percentages)

Year ended 31 December 2014

Change in cost of sales	(144,834)	(72,417)	(14,483)	14,483	72,417	144,834
Change in profit for the year	118,629	59,315	11,863	(11,863)	(59,315)	(118,629)
Percentage change in profit for the year	+58.8%	+29.4%	+5.9%	-5.9%	-29.4%	-58.8%

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of each type of key component on our profit for the year in 2014. Fluctuations are assumed to be 1%, 5% and 10%, which correspond to the range of historical fluctuations in the cost of these key components during the Track Record Period and we believe will commensurate with future estimated fluctuations in such cost.

Percentage change in cost of DSP
-10% -5% -1% +1% +5% +10%
HK\$'000 (except percentages)

Year ended 31 December 2014

Change in cost of sales	(17,488)	(8,744)	(1,749)	1,749	8,744	17,488
Change in profit for the year	14,324	7,162	1,432	(1,432)	(7,162)	(14,324)
Percentage change in profit for the year	+7.1%	+3.5%	+0.7%	-0.7%	-3.5%	-7.1%

Percentage change in cost of lens
-10% -5% -1% +1% +5% +10%
HK\$'000 (except percentages)

Year ended 31 December 2014

Change in cost of sales	(9,490)	(4,745)	(949)	949	4,745	9,490
Change in profit for the year	7,773	3,887	777	(777)	(3,887)	(7,773)
Percentage change in profit for the year	+3.9%	+1.9%	+0.4%	-0.4%	-1.9%	-3.9%

Percentage change in cost of sensor
-10% -5% -1% +1% +5% +10%
HK\$'000 (except percentages)

Year ended 31 December 2014

Change in cost of sales	(6,258)	(3,129)	(626)	626	3,129	6,258
Change in profit for the year	5,126	2,563	513	(513)	(2,563)	(5,126)
Percentage change in profit for the year	+2.5%	+1.3%	+0.3%	-0.3%	-1.3%	-2.5%

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Other Income and Gains

Other income and gains include mainly (i) investment income from available-for-sale investments, which consist of investments in several wealth management contracts, (ii) bank interest income, (iii) government grants, which consist mainly of rewards and subsidies on research activities granted by the local government with no unfulfilled conditions or contingencies and (iv) exchange gains arising mainly from fluctuations in exchange rates between the invoice and settlement dates of our sales and purchases, from translation of our U.S. dollar-denominated trade payables and receivables and from forward currency contracts. The following table sets out the breakdown of other income and gains for the years indicated:

	Year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1,060	2,050	3,011
Investment income from available-for-sale investments	4,136	4,882	2,350
Government grants	609	3,271	1,653
Fair value gains, net, from derivative instruments – transactions not qualifying as hedges	1,245	366	–
Reversal of impairment of trade receivables	–	283	–
Exchange gains	5,032	–	–
Others	322	701	932
	<u>12,404</u>	<u>11,553</u>	<u>7,946</u>

Selling and Distribution Expenses

Selling and distribution expenses include mainly (i) salaries and benefits of our sales and marketing staff, (ii) transportation costs for delivery of products, (iii) exhibition and advertising costs, and (iv) entertainment expenses relating to our sales and marketing activities. The following table sets out the breakdown of selling and distribution expenses for the years indicated:

	Year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff salaries and benefits	6,919	7,582	8,150
Transportation costs	6,405	4,252	4,442
Exhibition and advertising costs	679	1,066	1,839
Entertainment expenses	402	861	658
Others	774	605	491
	<u>15,179</u>	<u>14,366</u>	<u>15,580</u>

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Administrative Expenses

Administrative expenses include mainly (i) salaries and benefits of our management, administrative and finance staff, (ii) rental and office expenses, (iii) professional fees, (iv) other taxes and levies payable to government authorities, and (v) entertainment expenses. The following table sets out the breakdown of administrative expenses for the years indicated:

	Year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff salaries and benefits	32,100	44,190	52,375
Rental and office expenses	6,847	6,489	9,421
Professional fees	3,527	2,323	7,225
Other taxes and levies	9,188	4,720	6,113
Entertainment expenses	3,474	3,510	6,033
Depreciation and amortisation	1,793	2,833	2,968
Security expenses	1,727	2,651	2,608
Bank charges	1,179	1,853	3,490
Others	657	557	4,728
	<u>60,492</u>	<u>69,126</u>	<u>94,961</u>

Research and Development Costs

Research and development costs include (i) salaries and benefits of our 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. Because of the nature of our research and development activities, the criteria for the recognition of research and development costs as an asset are generally not met until late in the development stage of a project when the remaining costs are immaterial. As such, research and development costs are generally recognised as expenses in the period in which they are incurred.

Other Expenses

Other expenses include mainly (i) exchange losses arising mainly from fluctuations in exchange rates between the invoice and settlement dates of our sales and purchases and from translation of our U.S. dollar-denominated trade payables and receivables, (ii) fair value losses from derivative financial instruments, which relates to forward currency contracts that we used to manage our foreign currency risk, and (iii) impairment losses of trade receivables.

Finance Costs

Finance costs consist of interest on bank borrowings incurred in connection with the credit facilities provided by commercial banks in Hong Kong.

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Income Tax Expense

All of our subsidiaries were incorporated in Hong Kong or the PRC. Our Hong Kong operating subsidiaries are primarily responsible for external sales and procurement for our Group while our PRC operating subsidiaries are primarily responsible for production and certain product planning and research and development activities. As such, our income tax expense consists of current and deferred taxes payable by our Hong Kong subsidiaries and our PRC subsidiaries. The following table sets out the breakdown of income tax expense for the years indicated:

	Year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax charge:			
Hong Kong subsidiaries	14,837	21,301	32,173
PRC subsidiaries	24,207	13,792	15,589
Deferred tax charge/(credit)	3,042	1,281	(3,166)
	42,086	36,374	44,596
	42,086	36,374	44,596

During the Track Record Period, we provided for Hong Kong profits tax at a rate of 16.5% on our estimated assessable profits arising in Hong Kong. Certain of our Hong Kong subsidiaries was also subject to PRC withholding tax at a rate of 5% on the profits distributed by the relevant PRC subsidiary directly held by such Hong Kong subsidiary.

Pursuant to the CIT Law and the respective regulations, our PRC subsidiaries are subject to CIT at a rate of 25% on their taxable income, but during the Track Record Period preferential tax treatment was available to our two principal PRC operating subsidiaries: (i) Sky Light Shenzhen was recognised as a “High and New Technology Enterprise” and was entitled to a preferential tax rate of 15% for each year during the Track Record Period and (ii) Sky Light Technology (HY) was recognised as a “High and New Technology Enterprise” and was entitled to a preferential tax rate of 15% for the year of 2013 and 2014.

Under our group structure, most of our products are first sold by our PRC subsidiaries to our Hong Kong subsidiaries for resale to customers and most of our raw materials, components and parts are purchased by our Hong Kong subsidiaries from suppliers for resale to our PRC subsidiaries. Accordingly, the intra-group transactions between the relevant PRC and Hong Kong subsidiaries constitute related party transactions subject to the applicable transfer pricing requirements pursuant to applicable PRC and Hong Kong tax laws and regulations. See the paragraphs headed “PRC Transfer Pricing” and “Hong Kong Transfer Pricing” under the section headed “Regulatory Overview – PRC and Hong Kong Laws and Regulations Relating to Taxation” in this prospectus. In particular, Sky Light Shenzhen and Sky Light Technology (HY), our two principal PRC operating subsidiaries which customarily enter into related party transactions with our Hong Kong subsidiaries, are required to submit, and have submitted for each of the years during the Track Record Period, to the relevant PRC tax authority an annual reporting statement on business transactions with related parties and the relevant contemporaneous information relating to such transactions. We have engaged a PRC tax consultant with respect to each of Sky Light Shenzhen and Sky Light Technology (HY) to assist in the preparation of these filings and to prepare and issue a report on contemporaneous information relating to related party transactions for each of the years during the Track Record Period. Having considered these reports which contained a comprehensive analysis of the types of intra-group transactions conducted by each of Sky Light Shenzhen and Sky Light Technology (HY), its transfer pricing policy, its exposure to risks associated with different business functions, and certain financial ratio of comparable companies, the Directors are of the view that the related party transactions conducted by each of Sky Light Shenzhen and Sky Light Technology (HY) followed the arm’s length principle in compliance with the relevant PRC laws and regulations governing transfer pricing. As at the Latest Practicable Date, our

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Directors were not aware of any inquiry, audit or investigation by any tax authority in the PRC or Hong Kong with respect to our related party transactions. Having reviewed and assessed our transfer pricing arrangements relating to intra-group transactions and the bases and methodologies of the reports on contemporaneous information relating to related party transactions, our Directors are of the view that in the event of any challenges by the relevant PRC tax authority of the transfer prices used by us during the Track Record Period, we will have reasonable grounds to support and defend our basis for transfer prices and it is unlikely that such challenges will be successful.

During the Track Record Period and up to the Latest Practicable Date, we have paid all relevant taxes when due and there are no matters in dispute or unresolved with the relevant tax authorities.

RESULTS OF OPERATIONS

The following table sets out our selected consolidated profit or loss data for the years indicated:

	Year ended 31 December					
	2012	% of	2013	% of	2014	% of
	<i>HK\$'000</i>	<i>total</i>	<i>HK\$'000</i>	<i>total</i>	<i>HK\$'000</i>	<i>total</i>
		<i>revenue</i>		<i>revenue</i>		<i>revenue</i>
Revenue	1,658,829	100.0	1,622,527	100.0	2,092,385	100.0
Cost of sales	(1,330,439)	(80.2)	(1,287,170)	(79.3)	(1,646,618)	(78.7)
Gross profit	<u>328,390</u>	<u>19.8</u>	<u>335,357</u>	<u>20.7</u>	<u>445,767</u>	<u>21.3</u>
Add: Other income and gains	12,404	0.7	11,553	0.7	7,946	0.4
Less: Selling and distribution expenses	(15,179)	(0.9)	(14,366)	(0.9)	(15,580)	(0.7)
Administrative expenses	(60,492)	(3.6)	(69,126)	(4.2)	(94,961)	(4.6)
Research and development costs	(44,463)	(2.7)	(57,771)	(3.6)	(83,379)	(4.0)
Other expenses	(5,299)	(0.3)	(1,651)	(0.1)	(10,582)	(0.5)
Finance costs	(1,754)	(0.1)	(2,589)	(0.2)	(2,727)	(0.1)
Profit before tax	<u>213,607</u>	<u>12.9</u>	<u>201,407</u>	<u>12.4</u>	<u>246,484</u>	<u>11.8</u>
Income tax expense	(42,086)	(2.6)	(36,374)	(2.2)	(44,596)	(2.2)
Profit for the year	<u><u>171,521</u></u>	<u><u>10.3</u></u>	<u><u>165,033</u></u>	<u><u>10.2</u></u>	<u><u>201,888</u></u>	<u><u>9.6</u></u>
Profit attributable to:						
Owners of the Company	122,617	7.4	147,439	9.1	201,906	9.6
Non-controlling interests	48,904	2.9	17,594	1.1	(18)	(0.0)
	<u><u>171,521</u></u>	<u><u>10.3</u></u>	<u><u>165,033</u></u>	<u><u>10.2</u></u>	<u><u>201,888</u></u>	<u><u>9.6</u></u>

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Year Ended 31 December 2014 Compared to Year Ended 31 December 2013

Revenue

Revenue increased by 29.0% to HK\$2,092.4 million in 2014 from HK\$1,622.5 million in 2013. This increase was mainly attributable to an increase of HK\$479.1 million in sales of action camera and accessories, partially offset by a decrease of HK\$25.6 million in sales of digital imaging products.

Revenue from sales of action camera and accessories increased by 36.7% to HK\$1,783.5 million in 2014 from HK\$1,304.4 million in 2013. This increase was mainly attributable to an increase in sales of action cameras, as such shipments increased significantly from approximately 1.5 million units in 2013 to approximately 2.4 million units in 2014. This increase in shipments was primarily due to the launch by a major customer of a new camera model in the fourth quarter of 2013 and its launch of another new entry-level camera model in the third quarter of 2014. We recorded a lower average selling price for our action cameras in 2014 primarily because of the lower price of the new entry-level model. Revenue from sales of accessories also increased as a result of an increase in shipments, partially offset by a lower average selling price for our accessories, primarily because we received more purchase orders for simple accessory parts that we generally sold at lower prices.

Revenue from sales of digital imaging products decreased by 11.3% to HK\$199.8 million in 2014 from HK\$225.4 million in 2013. This decrease was primarily due to (i) a decrease in shipments of digital cameras from approximately 595,000 units in 2013 to approximately 574,000 units in 2014 and (ii) a decrease in shipments of scanners from approximately 316,000 units in 2013 to approximately 238,000 units in 2014, as the market demand for these products has generally declined in recent years.

Cost of sales

Cost of sales increased by 27.9% to HK\$1,646.6 million in 2014 from HK\$1,287.2 million in 2013. This increase was mainly attributable to an increase in the cost of raw materials, components and parts as we shipped more action cameras and accessories in 2014.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 32.9% to HK\$445.8 million in 2014 from HK\$335.4 million in 2013. Gross profit margin increased to 21.3% in 2014 from 20.7% in 2013, which was primarily due to greater sales of accessories which had generally higher margins than action cameras.

Other income and gains

Other income and gains decreased by 31.2% to HK\$7.9 million in 2014 from HK\$11.6 million in 2013. This decrease was primarily attributable to (i) a decrease of HK\$2.5 million in investment income from available-for-sale investments, which was primarily due to our reduced investments in wealth management contracts during 2014 in light of our cash position after our dividend payouts, and (ii) a decrease of HK\$1.6 million in government grants because certain grants from 2013 were not available in 2014.

Selling and distribution expenses

Selling and distribution expenses increased by 8.3% to HK\$15.6 million in 2014 from HK\$14.4 million in 2013. This increase was mainly attributable to an increase of HK\$0.8 million in exhibition and advertising costs primarily as a result of our increased efforts to promote a wider range of products in trade shows.

Administrative expenses

Administrative expenses increased by 37.4% to HK\$95.0 million in 2014 from HK\$69.1 million in 2013. This increase was mainly attributable to (i) an increase of HK\$8.2 million in staff salaries and benefits as we hired more management, administrative and finance staff to manage and support our business growth and the minimum wage in Shenzhen increased and (ii) an increase of HK\$4.9 million in professional fees primarily because of fees incurred in connection with Listing.

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Research and development costs

Research and development costs increased by 44.3% to HK\$83.4 million in 2014 from HK\$57.8 million in 2013. This increase was mainly attributable to an increase in salaries and benefits for recruitment of more engineers and product planning staff to support our increased efforts to develop new home imaging and smart wearable products.

Other expenses

Other expenses increased significantly to HK\$10.6 million in 2014 from HK\$1.7 million in 2013. This increase was mainly attributable to (i) the fair value loss from derivative financial instruments as our forward currency contracts were valued at a liability amount of HK\$6.1 million as at 31 December 2014, compared to a carrying asset amount of HK\$0.4 million as at 31 December 2013, primarily in light of the anticipated depreciation of Renminbi against U.S. dollars as at 31 December 2014, and (ii) an increase of HK\$1.6 million in exchange losses between the two years primarily as a result of the impact of depreciation of Renminbi between the invoice and settlement dates of our sales and purchases.

Finance costs

Finance costs increased by 5.3% to HK\$2.7 million in 2014 from HK\$2.6 million in 2013. This increase was attributable to an increase in average borrowing of U.S. dollar amounts from certain banks in Hong Kong for settlement of trade payments in order to take advantage of their low interest cost.

Income tax expense

Income tax expense increased by 22.6% to HK\$44.6 million in 2014 from HK\$36.4 million in 2013. This increase was primarily attributable to an increase in current tax charge primarily as a result of the higher profit before tax in 2014 and an increased amount of withholding tax on dividends distributed by our certain PRC subsidiary to its Hong Kong holding company. Our effective tax rate remained stable at 18.1% in each of 2013 and 2014.

Profit for the year

As a result of the foregoing, profit for the year increased by 22.3% to HK\$201.9 million in 2014 from HK\$165.0 million in 2013. Net profit margin decreased to 9.6% in 2014, compared to 10.2% in 2013, primarily as a result of the increase in research and development costs and administrative expenses notwithstanding the higher gross profit margin in 2014.

Year Ended 31 December 2013 Compared to Year Ended 31 December 2012

Revenue

Revenue decreased by 2.2% to HK\$1,622.5 million in 2013 from HK\$1,658.8 million in 2012. This decrease was attributable to a decrease of HK\$150.6 million in revenue from sales of digital imaging products, partially offset by an increase of HK\$45.2 million in revenue from sales of action camera and accessories.

Revenue from sales of digital imaging products decreased by 40.1% to HK\$225.4 million in 2013 from HK\$376.0 million in 2012. This decrease was primarily due to (i) a decrease in shipments of scanners from approximately 641,000 units in 2012 to approximately 316,000 units in 2013 and (ii) a decrease in shipments of digital cameras from approximately 866,000 units in 2012 to approximately 595,000 units in 2013, as the market demand for these products generally declined in recent years.

Revenue from sales of action camera and accessories increased by 3.6% to HK\$1,304.4 million in 2013 from HK\$1,259.2 million in 2012. This increase was mainly attributable to an increase in sales of accessories due to an increase in accessories shipments in 2013. This increase in shipments was primarily due to higher sales of accessories and simple accessory parts. However, the average selling price of accessories decreased primarily because we received more purchase orders for simple accessory parts that we generally sold at lower

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prices. The increase in revenue from sales of accessories was partially offset by the impact of the lower sales of action cameras in 2013 due to decreases in both shipments and average selling price. The shipments of action cameras decreased from approximately 1.6 million units in 2012 to approximately 1.5 million units in 2013, which was primarily due to reduced purchase orders from GoPro as they shifted production of certain new models to a different supplier. The lower average selling price of action cameras was primarily due to a general decrease in costs and GoPro's direct procurement of certain components.

Cost of sales

Cost of sales decreased by 3.3% to HK\$1,287.2 million in 2013 from HK\$1,330.4 million in 2012. This decrease was mainly attributable to a decrease in our purchases of raw materials, components and parts as we sold fewer action cameras and digital imaging products in 2013.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 2.1% to HK\$335.4 million in 2013 from HK\$328.4 million in 2012. Gross profit margin increased from 19.8% in 2012 to 20.7% in 2013. This increase in gross profit margin was primarily due to the higher revenue contribution by sales of accessories, which had generally higher margins than action cameras.

Other income and gains

Other income and gains decreased by 6.5% to HK\$11.6 million in 2013 from HK\$12.4 million in 2012. This decrease was mainly attributable to a change of our exchange gains or losses position as we recognised exchange gains of HK\$5.0 million in 2012 but incurred exchange losses of HK\$1.2 million in 2013. The exchange gains in 2012 were primarily due to the impact of appreciation of Renminbi between the invoice and settlement dates of our sales and purchases. The decrease in other income and gains was partially offset by an increase in government grants to HK\$3.3 million in 2013 from HK\$0.6 million in 2012.

Selling and distribution expenses

Selling and distribution expenses decreased by 5.3% to HK\$14.4 million in 2013 from HK\$15.2 million in 2012. This decrease was mainly attributable to a decrease of HK\$2.2 million in transportation costs primarily as a result of the new delivery arrangement for certain products requiring delivery to the free trade zone in Shenzhen only in lieu of Hong Kong. The decrease in selling and distribution expenses was partially offset by an increase of HK\$0.7 million in staff salaries and benefits primarily due to a rise in average compensation for our sales and marketing staff.

Administrative expenses

Administrative expenses increased by 14.3% to HK\$69.1 million in 2013 from HK\$60.5 million in 2012. This increase was mainly attributable to an increase of HK\$12.1 million in staff salaries and benefits as we hired more management, administrative and finance staff to manage and support our business growth and the minimum wage in Shenzhen increased, which was partially offset by a decrease of HK\$4.5 million in other taxes and levies, which were mainly due to our lower business tax charge as the tax authority revised the relevant rules for determining the amount of business taxes applicable to export enterprises.

Research and development costs

Research and development costs increased by 29.9% to HK\$57.8 million in 2013 from HK\$44.5 million in 2012. This increase was mainly attributable to an increase in salaries and benefits for recruitment of more engineers and product planning staff to support our increased efforts to develop new home imaging and smart wearable products.

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Other expenses

Other expenses decreased by 67.9% to HK\$1.7 million in 2013 from HK\$5.3 million in 2012. This decrease was mainly attributable to an impairment loss of trade receivables of HK\$5.0 million in 2012. This related to a customer in the European Union which was in financial difficulties and only a portion of the receivables from this customer was expected to be recoverable. The decrease in other expenses was partially offset by the exchange losses of HK\$1.2 million incurred in 2013 resulting primarily from the impact of appreciation of Renminbi between the invoice and settlement dates of our sales and purchases.

Finance costs

Finance costs increased by 47.6% to HK\$2.6 million in 2013 from HK\$1.8 million in 2012. This increase was attributable to an increase in average borrowing in U.S. dollar amounts from certain banks in Hong Kong for settlement of trade payments to take advantage of their low interest cost for cash management purposes.

Income tax expense

Income tax expense decreased by 13.5% to HK\$36.4 million in 2013 from HK\$42.1 million in 2012. This decrease was mainly attributable to a decrease in current tax charge as we recorded a lower profit before tax and Sky Light Technology (HY) became entitled to preferential tax treatment in 2013, partially offset by an increased amount of withholding tax on dividends distributed by our certain PRC subsidiary to its Hong Kong holding company. Our effective tax rate decreased to 18.1% in 2013, compared to 19.7% in 2012, primarily because of the impact of this preferential tax treatment.

Profit for the year

As a result of the foregoing, profit for the year decreased by 3.8% to HK\$165.0 million in 2013 from HK\$171.5 million in 2012. Net profit margin remained relatively stable at 10.2% in 2013, compared to 10.3% in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirements are to pay for working capital needs and capital expenditures for the expansion and upgrading of production facilities. We meet these cash requirements by relying on net cash flows from operating activities as our principal source of funding.

The following table sets out our selected consolidated cash flow data for the years indicated.

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Net cash flows from operating activities	147,736	21,641	292,587
Net cash flows used in investing activities	(94,890)	(51,335)	(31,017)
Net cash flows used in financing activities	(4,424)	(84,807)	(198,541)
Net increase/(decrease) in cash and cash equivalents	48,422	(114,501)	63,029
Cash and cash equivalents at the end of the year	218,639	104,138	167,167

Cash Flows from Operating Activities

Cash flows from operating activities consist of profit before tax adjusted for (i) certain non-cash or non-operating activities related items, including mainly depreciation and write-down of inventories; (ii) the effect of changes in working capital; and (iii) tax payment.

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Net cash from operating activities in 2014 was HK\$292.6 million, which primarily reflected our profit before tax of HK\$246.5 million as positively adjusted for depreciation of HK\$22.3 million and certain other items, as well an increase in cash of HK\$37.0 million related to changes in working capital. The net cash from operating activities was partially offset by tax payments of HK\$28.8 million. The increase in cash related to changes in working capital consisted mainly of (i) an increase in cash of HK\$61.5 million due to a decrease trade and bills receivables due to an increase in payments received from certain purchase orders in December 2014 compared to December 2013 and (ii) an increase in cash of HK\$16.8 million due to an increase in other payables and accruals due to increases in deposits received from customers and increased salaries payable, partially offset by (i) a decrease in cash of HK\$33.3 million due to an increase in inventories primarily as a result of an increase in finished goods which had not yet been delivered to our customers in accordance with the shipment schedule and (ii) a decrease in cash of HK\$15.7 million from an increase in prepayments, deposits and other receivables primarily as a result of VAT refunds for exports.

Net cash from operating activities in 2013 was HK\$21.6 million, which primarily reflected our profit before tax of HK\$201.4 million as positively adjusted for depreciation of HK\$18.5 million and certain other items. The net cash from operating activities was partially offset by a decrease in cash of HK\$155.1 million related to changes in working capital and tax payments of HK\$51.0 million. The decrease in cash related to changes in working capital consisted mainly of a decrease in cash of HK\$243.4 million due to an increase in trade and bills receivables, primarily because of increased sales during the last two months of 2013 compared with the same period in 2012. This was partially offset by an increase in cash of HK\$122.9 million due to an increase in trade and bills payables, primarily because of increased purchases from suppliers who granted longer credit terms.

Net cash from operating activities in 2012 was HK\$147.7 million, which primarily reflected our profit before tax of HK\$213.6 million as positively adjusted for a write-down of inventories to net realisable value of HK\$20.8 million, depreciation of HK\$14.9 million and certain other items. The net cash from operating activities was partially offset by a decrease in cash of HK\$78.6 million related to changes in working capital and tax payments of HK\$28.0 million. The decrease in cash related to changes in working capital consisted mainly of (i) a decrease in cash of HK\$44.1 million due to an increase in inventories to fulfill increased purchase orders in 2012, (ii) a decrease in cash of HK\$24.3 million due to an increase in trade and bills receivables resulting primarily from our increased sales on credit, and (iii) a decrease in cash of HK\$21.6 million due to a decrease in trade and bills payables resulting primarily from increased settlement using our banking facilities, partially offset by an increase in cash of HK\$22.0 million due to an increase in other payables and accruals as we received more deposits from customers due to increased sales.

Cash Flows from Investing Activities

Net cash used in investing activities in 2014 was HK\$31.0 million. This consisted mainly of payment of HK\$55.8 million for purchases of items of property, plant and equipment primarily for the installation of additional production lines and the upgrading of certain production equipment to support the growth of our action camera and related accessories business and the launch of our home imaging products. The cash outflows were partially offset by (i) an increase in cash of HK\$10.2 million due to a decrease in pledged deposits provided in connection with our bank loans and (ii) an increase in cash of HK\$9.2 million due to a decrease in available-for-sale investments held by us as we reduced our investments in wealth management contracts in light of our cash position.

Net cash used in investing activities in 2013 was HK\$51.3 million. This consisted mainly of (i) payment of HK\$26.8 million for purchases of items of property, plant and equipment primarily for the upgrading and installation of new production equipment, (ii) a decrease in cash of HK\$14.7 million due to an increase in available-for-sale investments in connection with our increased investments in wealth management contracts for cash management purposes, and (iii) a decrease in cash of HK\$12.3 million due to an increase in pledged deposits provided in connection with our bank loans.

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Net cash used in investing activities in 2012 was HK\$94.9 million. This consisted mainly of (i) a decrease in cash of HK\$61.8 million due to an increase in available-for-sale investments in connection with our increased investments in wealth management contracts for cash management purposes, and (ii) payment of HK\$37.2 million for purchases of items of property, plant and equipment primarily for the installation of additional production lines to expand our production capacity.

Cash Flows from Financing Activities

Net cash used in financing activities in 2014 was HK\$198.5 million. This consisted mainly of payments of (i) HK\$181.9 million to settle the remaining unpaid portion of the dividend declared for 2013 and part of the dividend declared for 2014 and (ii) HK\$56.7 million to repay certain amounts due to related parties. The cash outflows were partially offset by aggregate cash proceeds of HK\$59.4 million consisting of (i) HK\$11.4 million from the issue of 696,096 Shares by our Company to Fortune Six and (ii) HK\$48.0 million from the issue of an aggregate of 303,804 Shares by our Company to Fortune Sky, Yongweida, Uphigh Global and Sure Top in 2014 in connection with our Reorganisation.

Net cash used in financing activities in 2013 was HK\$84.8 million. This consisted mainly of payments of (i) HK\$162.6 million to settle part of the dividend declared for 2013 and (ii) HK\$65.0 million for the acquisition of non-controlling interests in Sky Light Shenzhen in connection with our Reorganisation. The cash outflows were partially offset by (i) net cash proceeds of HK\$89.9 million from a net increase in bank loans and (ii) the receipt of cash of HK\$55.5 million attributable to an increase in amounts due to Mr. Tang Wing Fong Terry.

Net cash used in financing activities in 2012 was HK\$4.4 million. This consisted mainly of our payment of HK\$65.6 million for certain amounts due to related parties, primarily for purchases of raw materials, components and parts in 2011, partially offset by (i) net cash proceeds of HK\$38.9 million from a net increase in bank loans and (ii) cash proceeds of HK\$25.1 million from shareholders in connection with the issue of equity interest in Sky Light HK and Sky Light Shenzhen in connection with our Reorganisation.

Net Current Assets

The following table sets out our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	30 April 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current Assets				
Inventories	148,503	163,420	192,996	280,352
Trade receivables	72,142	319,571	251,235	270,507
Bills receivable	15,036	11,309	18,148	13,497
Derivative financial instruments	1,245	366	–	–
Available-for-sale investments	64,723	79,468	70,263	3,014
Amounts due from related parties	793	3,320	1,792	1,646
Prepayments, deposits and other receivables	36,221	47,316	67,826	83,951
Pledged deposits	24,912	37,187	27,001	27,001
Cash and cash equivalents	218,639	104,138	167,167	102,699
	<u>582,214</u>	<u>766,095</u>	<u>796,428</u>	<u>782,667</u>

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	As at 31 December			As at 30 April 2015
	2012	2013	2014	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	(unaudited)
Current liabilities				
Interest-bearing bank and other borrowings	82,478	172,342	164,826	232,606
Trade payables	144,957	270,547	275,215	298,975
Bills payable	11,805	1,605	1,390	2,668
Dividend payable	–	48,153	150,000	–
Deposits received, other payables and accruals	61,270	62,978	79,570	78,154
Derivative financial instruments	–	–	6,107	5,473
Tax payable	19,176	3,229	22,156	17,362
Amounts due to related parties	1,406	56,794	1,793	61
	321,092	615,648	701,057	635,299
Net current assets	261,122	150,447	95,371	147,368

We had net current assets as at each of 31 December 2012, 2013 and 2014 and 30 April 2015. Our net current assets position as at each of these dates was mainly attributable to our inventories, trade receivables and cash and cash equivalents, partially offset by our trade payables, interest-bearing bank and other borrowings, and dividend payable, if any. Our net current assets amounted to HK\$147.4 million as at 30 April 2015, compared to HK\$95.4 million as at 31 December 2014. This increase in net current assets was mainly attributable to a decrease in dividends payables of HK\$150.0 million because we settled the remaining balance of our outstanding dividends and an increase of HK\$87.4 million in inventories primarily as a result of an increase in raw materials, components and parts to fulfil increased purchase orders for our products; partially offset by an increase of HK\$67.8 million in interest-bearing bank and other borrowings due to increased use of bank facilities to settle trade payables, and a decrease of HK\$67.2 million in available-for-sale investments as two of our wealth management contracts matured.

Working Capital

We had net cash flows from operating activities for each year during the Track Record Period and net current assets as at each of 31 December 2012, 2013 and 2014 and 30 April 2015. Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account our cash flows from operating activities, the estimated net proceeds from the Global Offering and our available credit facilities.

INDEBTEDNESS

Interest-Bearing Bank and Other Borrowings

During the Track Record Period, we obtained interest-bearing bank borrowings provided by certain commercial banks in Hong Kong and China. All of these borrowings were in the form of bank loans under banking facilities providing for terms of three to four months and had an effective interest rate ranging from 2.3% to 2.5% in 2012, 1.6% to 2.3% in 2013, and 1.6% to 1.8% in 2014.

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Some typical covenants relating to our outstanding banking facilities are as follows:

- We are required to immediately inform the bank of any substantial change to the general nature of our existing business;
- We are required to immediately inform the bank of any factor which may inhibit, impair or delay performance of our obligations;
- We must ensure that all consents, licences, approvals, registration and filing in connection with the facilities may be provided and will remain in full effect;
- We have agreed not to create any kind of encumbrance or security interest over our assets without the bank's written consent; and
- We are required to comply with certain financial covenants, including but not limited to maintaining a minimum net worth.

As at 30 April 2015, our subsidiary Sky Light Imaging, as borrower, had entered into a banking facility agreement containing a restrictive covenant that set a limit on its maximum amount of payment of dividends and distributions. While this agreement has been amended to, among other things, remove this restriction on dividends, we may in the future enter into banking facilities or other types of indebtedness that may restrict the ability of our Company or its subsidiaries to pay dividends. See the risk factor headed "Risk Factors – Risks Relating to the Offering and the Shares – There is no assurance that the Company will declare dividends in the future." in this prospectus.

The aggregate amount of our banking facilities as at 31 December 2012, 2013 and 2014 and 30 April 2015 was HK\$258.9 million, HK\$457.4 million, HK\$590.9 million and HK\$709.8 million, respectively. As at the same dates, total bank loans in the amounts of HK\$82.5 million, HK\$172.3 million, HK\$164.8 million and HK\$232.6 million were outstanding, respectively. We obtained an increasing amount of interest-bearing bank and other borrowings during the Track Record Period primarily to take advantage of their low interest cost for cash management purposes.

As at 30 April 2015, an aggregate principal amount of HK\$473.9 million remained unutilised and available for unrestricted use under our banking facilities.

Certain of our interest-bearing bank and other borrowings as at 31 December 2012, 2013 and 2014 were secured by (i) the pledge of certain of our time deposits in the amounts of HK\$24.9 million, HK\$37.2 million and HK\$27.0 million, respectively, (ii) mortgages over our buildings with aggregate carrying amounts of HK\$2.2 million, HK\$2.1 million and HK\$2.1 million, respectively, and (iii) mortgages over our prepaid land lease payments with carrying amounts of HK\$3.3 million, HK\$3.2 million and HK\$3.1 million, respectively. In addition, our interest-bearing bank and other borrowings in the amounts of HK\$82.5 million, HK\$172.3 million and HK\$164.8 million as at these dates, respectively, had been guaranteed by Mr. Tang Wing Fong Terry, which will be discharged upon Listing.

Indebtedness as at 30 April 2015

As at 30 April 2015, except as disclosed in this prospectus or any intra-group liabilities, we did not have any outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding.

Directors' Confirmation

Our Directors have confirmed that we had no material defaults in payment of trade and non-trade payables and bank borrowings, nor any breaches of finance covenants during the Track Record Period.

Our Directors have confirmed that there is no material adverse change in our indebtedness position since 31 December 2014 and up to the date of this prospectus.

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DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Inventories comprise raw materials, work-in-progress and finished goods. The following table sets out the breakdown of our inventories as at the dates indicated:

	As at/Year ended 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	91,678	82,838	87,839
Work-in-progress	43,908	64,530	66,725
Finished goods	12,917	16,052	38,432
	<u>148,503</u>	<u>163,420</u>	<u>192,996</u>
Average inventory turnover day ⁽¹⁾	37.6	44.2	39.5

Note:

- (1) Average inventory turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of inventories by cost of sales for the relevant period and then multiplied by the number of days in the relevant period.

During the Track Record Period, inventories increased from HK\$148.5 million as at 31 December 2012 to HK\$163.4 million as at 31 December 2013, and further increased to HK\$193.0 million as at 31 December 2014. The increase in inventories between 31 December 2012 and 2013 was mainly attributable to an increase in work-in-progress due to the purchase orders of a major customer for its new camera model. The increase in inventories between 31 December 2013 and 2014 was mainly attributable to an increase in finished goods which had not yet been delivered to our customers in accordance with the shipment schedule. As at 30 April 2015, the subsequent sales and utilisation of our inventories as at 31 December 2014 was HK\$152.4 million, or 79.0%.

Average inventory turnover days indicates the average time required for us to sell the inventories. The following table sets out our average inventory turnover days for the years indicated. The increases in average inventory turnover days between the years were primarily due to the increases in inventories as described above.

To minimise the risk of building up aged inventories, we carry out an inventory review and an ageing analysis on a regular basis. We make provision for obsolete and slow-moving inventories of raw materials and finished goods that are no longer suitable for use in production or sale. A number of factors including historical and forecast consumption of our raw materials, as well as marketability of our products, are taken into account when we consider whether to make appropriate provision.

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Trade and Bills Receivables

Trade receivables and bills receivable represent the amounts receivable from customers and under bank acceptance bills in connection with our sales to customers, respectively. We require most of our customers to make payment in advance. However, we grant certain customers with good payment history credit terms up to 90 days and also allow certain customers to use bank acceptance bills with maturities of no more than 90 days to settle their payments. The following table sets out our trade and bills receivables as at the dates indicated:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	72,142	319,571	251,235
Bills receivables	15,036	11,309	18,148
	87,178	330,880	269,383

The decrease in trade receivables from HK\$319.6 million as at 31 December 2013 to HK\$251.2 million as at 31 December 2014 was primarily due to an increase in payments received from a major customer in December 2014 compared with December 2013. The significant increase in trade receivables from HK\$72.1 million as at 31 December 2012 to HK\$319.6 million as at 31 December 2013 was primarily due to increased sales during the last two months of 2013 compared to the same period in 2012.

We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by senior management. The following table sets out an aged analysis of our trade receivables, based on the invoice date, as at the dates indicated and our average trade receivables turnover days for the years indicated:

	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	68,981	206,106	246,355
31 to 60 days	3,133	112,771	3,675
61 to 90 days	28	521	123
Over 90 days	–	173	1,082
	72,142	319,571	251,235
Average trade receivables turnover days ⁽¹⁾	14.4	44.1	49.8

Note:

- (1) Average trade receivables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables by revenue for the relevant period and then multiplied by the number of days in the relevant period.

Our trade and bills receivables as at 31 December 2014 amounted to HK\$269.4 million, of which HK\$267.6 million, or 99.3%, had been settled as at 30 April 2015.

We recorded an impairment loss of trade receivables of HK\$5.0 million in 2012. This related to a customer in the European Union which was in financial difficulties and only a portion of the receivables from this customer was expected to be recoverable.

Average trade receivables turnover days indicates the average time required for us to collect cash payments from sales. The general increase in average trade receivables turnover days during the Track Record Period was primarily due to increased purchases on credit by our customers.

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Trade, Bills and Other Payables

Trade payables represent the amounts due to our suppliers from which we are granted credit terms generally ranging from 0 to 90 days. Bills payable represent the outstanding amounts of our payment obligations under letters of credit issued by certain banks in Hong Kong in connection with our purchases from suppliers. Other payables and accruals represent salary and welfare payables, deposits received from customers, and other payables and accruals. The following table sets out our trade and bills payables and other payables and accruals as at the dates indicated:

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Trade payables	144,957	270,547	275,215
Bills payables	11,805	1,605	1,390
Other payables and accruals	61,270	62,978	79,570

Trade payables remained relatively stable between 31 December 2013 and 31 December 2014. The increase in trade payables from HK\$145.0 million as at 31 December 2012 to HK\$270.5 million as at 31 December 2013 was primarily due to an increase in purchases made by us on credit.

The following table sets out an aged analysis of our trade payables, based on the invoice date, as at the dates indicated and our average trade payables turnover days for the years indicated:

	As at/Year ended 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Within 30 days	54,624	113,126	109,217
31 to 60 days	49,187	96,498	108,843
61 to 90 days	25,473	39,234	45,397
Over 90 days	15,673	21,689	11,758
	<u>144,957</u>	<u>270,547</u>	<u>275,215</u>
Average trade payables turnover days ⁽¹⁾	43.8	58.9	60.5

Note:

- (1) Average trade payables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables by cost of sales for the relevant period and then multiplied by the number of days in the relevant period.

Our trade payables as at 31 December 2014 amounted to HK\$275.2 million, of which HK\$274.7 million, or 99.8%, had been settled as at 30 April 2015.

Average trade payables turnover days indicates the average time we take to make cash payments to suppliers. The general increase in average trade payables turnover days during the Track Record Period was primarily due to increased purchases from suppliers who granted longer credit terms.

Available-for-Sale Investments

During the Track Record Period, we purchased various available-for-sale investments in the form of wealth management contracts. These wealth management contracts were generally described as having low risks in the product description manuals published by the issuing banks and had generally higher yields than fixed deposits that we would otherwise make with banks.

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All of our wealth management contracts outstanding as at 31 December 2014 comprised investments in structured investment products or unlisted funds issued by or sold through commercial banks. None of these wealth management contracts constituted any derivative financial instrument or included any element of gearing or leverage. As such, we were not exposed to any greater risk than the principal amount invested for each of these wealth management contracts. The following table sets out the material terms of our wealth management products outstanding as at 31 December 2014 based on their respective product description manuals:

Issuing Bank	Principal amount	Expected return	Maturity date	Risk classification/ Credit rating	Underlying investments	Principal-protected	Carrying amount
Bank of China	RMB50.0 million	2.80%	15 January 2015	Medium to low risk	Sovereign bonds, financial bonds, central bank bills and other low-risk, high liquidity financial instruments	Not principal guaranteed	HK\$63.4 million
Bank of China	RMB3.0 million	4.55%	2 February 2015	Low risk	Sovereign bonds, central bank bills, China Development Bank debt and other public debt financial products with above investment grade	Guaranteed return	HK\$3.8 million
HSBC	RMB2.5 million	5.9% ⁽¹⁾	Redeemable upon request	N/A ⁽²⁾	Bonds, certificate of deposits, cash and others	Not principal guaranteed	HK\$3.0 million

Notes:

- (1) Performance since inception as at 30 April 2015.
- (2) No risk classification or credit rating has been given according to the explanatory memorandum of the relevant wealth management product.

We have implemented our internal policies since January 2015 which provide the following guidelines, requirements and approval process with respect to our treasury investment activities. We regularly evaluate the risks and returns of our wealth management products. All our investments in wealth management products are required to be reviewed and approved by our executive Director and chief financial officer, Mr. Lu Yongbin, and then by our executive Director and chief executive officer, Mr. Tang Wing Fong Terry. At the beginning of each month, our finance department is required to compile an investment plan for the month based on factors such as our working capital level. The monthly investment plan contains information such as the type of investment products, investment amount, investment term, proposed investment date, expected return rate, source of capital, investment return analysis and investment risk analysis. The monthly investment plan will then be reviewed and approved by Mr. Lu and Mr. Tang.

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Prior to our purchase of any wealth management products, our finance department is required to compile an investment report providing for information such as the investment target, investment term, investment amount, expected return rate, source of capital, investment return analysis and investment risk analysis. Mr. Lu will then further evaluate the return and risks associated with each particular wealth management product. After Mr. Lu evaluates and provides his comments, the report will be submitted to Mr. Tang for his final approval.

Under our treasury investment policy, we are only allowed to invest in wealth management products with a risk rating of “low”, “very low” or “principal-protected” and the wealth management products must be issued by well recognized publicly listed banks. Our treasury investment policy also provides that the outstanding balance of our wealth management products is not allowed to exceed RMB200 million, any plan to increase this monetary limit must be approved by the Board.

Our internal audit department is responsible for auditing the accounting record, capital movement and operating results of the investments in wealth management products on a quarterly basis or at any time it thinks that is necessary and reporting its auditing comments to Mr. Lu and Mr. Tang. If necessary, our Audit Committee may also conduct an audit and report to the Board. The Board is responsible for setting further policies and requirements in respect of the operation and risk control of our wealth management products.

We have strictly adhered to our treasury investment policies and will continue to monitor our risks and returns associated with our wealth management products. Mr. Lu has been and will continue to be responsible for monitoring our overall financial investments to ensure that we comply with our internal investment policies with the support of our finance department. Mr. Lu has over 22 years of experience in accounting and related financial management. Our independent non-executive Directors, Mr. Chan Tsu Ming Louis, Mr. Wong Kee Fung Kenneth and Mr. Cheung Wah Keung, all have prior experience in the fields of accounting, finance and corporate management. We believe that the experience of our independent non-executive Directors will allow them to assist us to review our compliance with the treasury investment policies and assess the risk associated with our investments.

We understand that upon Listing, the purchase of certain wealth management products may constitute notifiable transactions under Chapter 14 of the Listing Rules and our Directors confirm that any such purchase would only be made after compliance with the Listing Rules as well as other relevant laws and regulations if applicable.

CAPITAL EXPENDITURES

We incur capital expenditures mainly for the expansion of production capacity and upgrading of production facilities, as well as for prepaid land lease payments in connection with the purchase of an office property in Hong Kong and the purchase of certain enterprise resource planning software. As at 31 December 2012, 2013 and 2014, the carrying amount of our property, plant and equipment was HK\$75.9 million, HK\$86.6 million and HK\$101.3 million, respectively, which consisted mainly of machinery with net carrying amounts of HK\$61.3 million, HK\$73.2 million and HK\$84.6 million, respectively. The following table sets out our capital expenditures for the years indicated:

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Additions of property, plant and equipment	32,219	27,489	40,764
Additions of intangible assets	–	935	5,295
Additions of prepaid land lease payments	3,332	–	–
	<u>35,551</u>	<u>28,424</u>	<u>46,059</u>

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For more information on the uses of our capital expenditures on purchases of items of property, plant and equipment during the Track Record Period, see the paragraph above headed “Liquidity and Capital Resources – Cash Flows from Investing Activities” in this section of the prospectus.

We currently expect our capital expenditures for the year ending 31 December 2015 to be HK\$41.2 million, which will be used mainly for purchases of production equipment to expand our production capacity and upgrade our production facilities in Shenzhen and Heyuan.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets out our contractual obligations and their payment schedule as at 31 December 2014:

	Within one year HK\$'000	Second to third year, inclusive HK\$'000	Total HK\$'000
Contracted amount for additions of plant and machinery	5,656	–	5,656
Minimum lease payments under non-cancellable operating leases	5,601	3,485	9,086
	<u>11,257</u>	<u>3,485</u>	<u>14,742</u>

As at 31 December 2014, we had contracted, but not provided, for an aggregate amount of HK\$5.7 million as contracted obligations for additions of plant and machinery. These consisted mainly of payments to be made for our purchases of production equipment at our Heyuan and Shenzhen production facilities.

We lease from landlords, including third parties and connected persons, certain of our production facilities, office premises and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years. The minimum lease payments which we had contracted for under non-cancellable operating leases as at 31 December 2014 were HK\$9.1 million. For more information on leases from connected persons, see the section headed “Continuing Connected Transaction” in this prospectus.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations of any third parties.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business, including leasing properties and purchasing property, plant and equipment from related parties. As at 31 December 2014, all of our amounts due to and due from related parties were trade related. For more information on our related party transactions, see the section headed “Continuing Connected Transaction” and note 35 to our consolidated financial statements in the Accountants’ Report included in Appendix I to this prospectus.

These related party transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

OFF BALANCE SHEET TRANSACTIONS

During the Track Record Period, we did not have any material off-balance sheet arrangements or any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

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RECENT DEVELOPMENTS

During the first four months of 2015, we continued to record strong sales for our action camera and accessories and home imaging products. Shipments of these products grew significantly over the same period in 2014 as market demand for action cameras remained strong and our home imaging customers had placed an increasing amount of purchase orders with us as a result of their official product launches in early 2015. Based on our unaudited interim financial statements, our revenue for the four months ended 30 April 2015 had reached HK\$781.6 million, which represented an increase of 84.8% compared to the four months ended 30 April 2014. Our reporting accountants, Ernst & Young, have conducted a review on our subsequent interim financial information for the four months ended 30 April 2015 in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”.

As at 30 April 2015, we had received purchase orders from our customers for the sales and delivery of products in the remaining eight months of 2015. The aggregate amount of these purchase orders was HK\$1,046.1 million, comprising HK\$845.2 million for action camera and accessories, HK\$39.8 million for digital imaging products and HK\$161.1 million for home imaging products. As we commenced commercial production and shipment of home imaging products in the third quarter of 2014 and expect to commence shipment of smart wearable products by June 2015, we expect that our shipments of home imaging and smart wearable products for the year ending 31 December 2015 will be significantly higher than the quantities shipped in 2014. We expect that our shipments of action camera and accessories for the year ending 31 December 2015 will grow steadily as compared to 2014 but our shipments of traditional digital cameras and scanners will continue to decline. Subsequent to 31 December 2014 and up to the Latest Practicable Date, we did not experience any significant change of pricing policy for our products and there was no material change in the overall unit cost of our raw materials, components and parts.

Following the completion of the Global Offering, we estimate that approximately HK\$24.0 million will be charged as listing expenses and approximately HK\$9.0 million will be charged as share-based compensation in respect of the Pre-IPO Share Options granted on 29 May 2015 to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2015. See the section headed “Financial Information – Listing Expenses” and the risk factor headed “Risk Factors – Risks Relating to the Offering and the Shares – Any exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme will have a dilutive effect on your shareholding and may result in our issuance of Shares at prices lower than their trading price or fair market value.” in this prospectus. In addition, we expect to incur higher research and development costs as we continue to invest heavily in product planning and research and development and we are planning to set up a new research and development centre in Xi’an, Shaanxi Province in the second half of 2015. See the section headed “Business – Product Planning and Research and Development” in this prospectus. We expect that these increased expenses will likely have the impact of lowering our profitability as compared to our net profit margin at 9.6% in 2014.

FINANCIAL RATIOS

The following table sets out certain financial ratios relating to our Group as at the dates or for the years indicated:

	As at/Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Current ratio ⁽¹⁾	1.81	1.24	1.14
Quick ratio ⁽²⁾	1.35	0.98	0.86
Return on assets ⁽³⁾	29.7%	21.5%	22.6%
Return on equity ⁽⁴⁾	69.7%	56.4%	87.6%
Gearing ratio ⁽⁵⁾	24.0%	71.3%	75.2%

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Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities.
- (3) Return on assets is calculated by dividing profit for the year by the arithmetic mean of the opening and closing balances of total assets in the relevant period.
- (4) Return on equity is calculated by dividing profit for the year by the arithmetic mean of the opening and closing balances of total equity in the relevant period.
- (5) Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank and other borrowings) by total equity as at the end of the relevant period.

Current and Quick Ratios

Our current ratio as at 31 December 2012, 2013 and 2014 was 1.81, 1.24 and 1.14, respectively, and our quick ratio as at those dates was 1.35, 0.98 and 0.86, respectively. The general decreases in current and quick ratios during the Track Record Period was primarily due to (i) the increases in current liabilities, in particular our interest-bearing bank and other borrowings, trade and bills payables and dividends payable, and (ii) the impact of dividend declarations and payments in 2013 and 2014.

Return on Assets

Our return on assets in 2012, 2013 and 2014 was 29.7%, 21.5% and 22.6%, respectively. The decrease in return on assets from 2012 to 2013 was primarily due to an increase in total assets, which was primarily attributable to the increases in trade receivables, inventories, and property, plant and equipment, as our asset scale continued to grow while profit for the year declined in 2013. The increase in return on assets from 2013 to 2014 was primarily due to the increase in profit for the year in 2014.

Return on Equity

Our return on equity in 2012, 2013 and 2014 was 69.7%, 56.4% and 87.6%, respectively. The decrease in return on equity from 2012 to 2013 was primarily due to a decrease in profit for the year and increased equity because of increased retained profits from 2012. The increase in return on equity was primarily due to the reduced total equity mainly as a result of the declaration of dividends in 2013 and 2014.

Gearing Ratio

Our gearing ratio as at 31 December 2012, 2013 and 2014 was 24.0%, 71.3% and 75.2%, respectively. The significant increase in gearing ratio between 31 December 2012 and 2013 was primarily due to an increase in interest-bearing bank and other borrowings in 2013 as we aimed to take advantage of the low interest cost for cash management purposes.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, including foreign currency risk, credit risk and liquidity risk. Our Directors review and agree policies for managing each of these risks.

Foreign Currency Risk

We have transactional currency exposures, which arise from sales in currencies other than the relevant operating units, functional currencies. Approximately 99.0%, 98.5% and 99.2% of our sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 43.3%, 45.1% and 51.7% of inventory costs were denominated in their functional currencies in 2012, 2013 and 2014, respectively. If Hong Kong dollars had weakened or strengthened against Renminbi by 5% at the end of each reporting period with all other variables held constant, our profit before tax for the year would have been higher or lower, as the case may be, by HK\$1.8 million, HK\$1.6 million and HK\$1.6 million in 2012, 2013 and 2014, respectively. For more information, see note 39 to our consolidated financial statements in the Accountants' Report included in Appendix I to this prospectus.

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We use forward currency contracts to manage currency risk. For more information, see the section headed “– Critical Accounting Policies and Estimates – Derivative Financial Instruments” above. Apart from the above forward currency contracts, we have adopted a foreign exchange management policy in managing our potential currency risk. Under the foreign exchange management policy, we have formed a foreign exchange management team which involves personnel from the board, finance division, audit team, purchase division and sales and marketing division. The foreign exchange management team regularly and closely monitors the exposed currency risk, the operation and the effectiveness of our forward currency contracts and the foreign exchange management policy. The foreign exchange management policy provides guidelines for our foreign exchange management team in determining the eligible institutions which the Company is allowed to enter into foreign exchange management agreement with. The foreign exchange management policy also limits the monetary value of all the forward currency contracts to be lower than 30% of the expected future foreign exchange demand for our import and export business measured by the rolling 12-month forecast. As our foreign exchange management policy renders a detailed and close monitoring and communications between the relevant personnel in various divisions which form our foreign exchange management team, the Directors believe that foreign exchange operation management system should be effective in managing our potential currency risk.

Credit Risk

We trade only with third parties that we consider recognised and creditworthy. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The credit risk of our other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, and financial assets included in prepayments, deposits and other receivables arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

We manage concentrations of credit risk by customer or counterparty, by geographical region and by industry sector. We had certain concentrations of credit risk as 82.0%, 97.4% and 77.8% of our trade receivables were due from those customers with the top five balances as at 31 December 2012, 2013 and 2014, respectively.

Liquidity Risk

We monitor our risk associated with a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets, including trade receivables, and projected cash flows from operations. For more information on the maturity profile of our financial liabilities, see note 38 to our consolidated financial statements in the Accountants’ Report included in Appendix I to this prospectus.

DIVIDENDS AND DIVIDEND POLICY

We did not declare any dividends for 2012. We declared dividends of HK\$210.8 million for 2013, of which HK\$162.6 million was settled in 2013 and the remaining balance of HK\$48.2 million was settled in 2014. We declared dividends of HK\$283.8 million for 2014, of which HK\$133.8 million was settled in 2014 and the remaining balance of HK\$150.0 million was settled in February 2015. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

Subject to the provisions of the Articles and the Companies Law, we currently target to distribute to our Shareholders not less than 30% of our profit for the year attributable to owners of the Company. Any declaration of dividends, however, is subject to the discretion of our Directors, depending on our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment

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as well as the amount of the dividends will be subject to the provisions of (i) the Articles, which require any final dividends to be declared by our Shareholders at a general meeting, and (ii) the Companies Law, which provides that dividends may be paid out of the profits of a company or out of sums standing to the credit of its share premium account and that no dividend may be paid out of the share premium account unless, immediately following the date on which the dividend is paid, our Company is able to pay its debts as they fall due in the ordinary course of business. Under applicable PRC law, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

DISTRIBUTABLE RESERVES

As at 31 December 2014, our Company had reserves in the amount of HK\$87.3 million available for distribution to our Shareholders.

LISTING EXPENSES

In 2014, we incurred listing expenses of HK\$9.1 million, of which HK\$4.6 million was charged to our consolidated statement of profit or loss and other comprehensive income and the remaining amount of HK\$4.5 million was recorded as prepayment which is to be net off with share premium after the Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately HK\$50.2 million (based on mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, of which an estimated amount of approximately HK\$24.0 million will be charged to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2015 and an estimated amount of approximately HK\$26.2 million will be capitalised.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to our consolidated net tangible assets attributable to owners of our Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 as if the Global Offering had taken place on that date. Because of its hypothetical nature, the following unaudited pro forma data may not give a true picture of our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 or as at any subsequent date.

	Consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 ⁽¹⁾ HK\$'000	Estimated net proceeds from the Global Offering ⁽²⁾ HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾⁽⁴⁾ HK\$
Based on an Offer Price of HK\$2.68 per Offer Share	212,766	479,153	691,919	0.86
Based on an Offer Price of HK\$3.38 per Offer Share	212,766	614,253	827,019	1.03

Notes:

- (1) Our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 are based on our audited consolidated net assets attributable to owners of our Company in the amount of HK\$219.1 million, as extracted from our consolidated financial statements in the Accountants' Report included in Appendix I to this prospectus, less intangible assets in the amount of HK\$6.3 million.

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- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$2.68 and HK\$3.38 per Offer Share, respectively, after deduction of underwriting commissions and fees and other related expenses payable by us and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) No adjustment has been made to our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 to reflect any of our trading results or other transactions entered into subsequent to 31 December 2014.
- (4) Our unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 800,000,000 Shares were in issue assuming that the Global Offering had been completed and the Over-allotment Option was not exercised but without taking into account any Shares which may be issued pursuant to the exercise of options under the Pre-IPO Share Option Scheme and the Share Option Scheme.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 31 December 2014 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants' Report included in Appendix I to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We intend to continue to grow our business and expand and enhance our product offerings, in particular in the fast-growing home imaging and smart wearable markets. In doing so, we plan to further invest in the upgrading and expansion of our production capacity and increase our expenditures on product planning, research and development, and marketing to enhance our product and brand development efforts. We currently plan to add five more SMT production lines by the end of 2015 and will carefully monitor our expansion plan in accordance with business needs and opportunities that arise from time to time.

Please refer to the section headed “Business – Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK\$546.7 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK\$3.03 per Share, being the mid-point of the indicative Offer Price range of HK\$2.68 to HK\$3.38 per Share. We intend to use such net proceeds for the following purposes:

- approximately HK\$202.3 million (approximately 37% of our total estimated net proceeds) for the purchase of land or completed properties for use as production facilities or offices and purchase of production machinery;
- approximately HK\$103.9 million (approximately 19% of our total estimated net proceeds) for marketing expenditures relating to (i) the development of new house brands for home imaging and smart wearable products and increased promotion of our “SKYPIX” brand; (ii) collaborate with major sales channels to promote our new and existing house brands; and (iii) the recruitment of additional marketing staff;
- approximately HK\$103.9 million (approximately 19% of our total estimated net proceeds) for possible mergers and acquisitions;
- approximately HK\$82.0 million (approximately 15% of our total estimated net proceeds) for research and development expenditures relating to (i) the set up of a new research and development centre in Xi’an, Shaanxi Province in the second half of 2015; (ii) the set up of additional radio frequency labs and upgrading of radio frequency, image and audio related facilities; and (iii) the recruitment of additional senior engineers; and
- approximately HK\$54.7 million (approximately 10% of our total estimated net proceeds) for working capital and general corporate purposes.

As at the Latest Practicable Date, we did not make any proposal to purchase or invest in, and had not identified, any target property or target business. For more information on our acquisition strategy, see the section headed “Business – Business Strategies” in this prospectus.

If the Offer Price is set at the high end or low end of the indicative Offer Price range, the estimated net proceeds from the Global Offering, assuming that the Over-allotment Option is not exercised, will increase to approximately HK\$614.3 million or decrease to approximately HK\$479.2 million, respectively. In such event, we will adjust the intended use of the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the estimated net proceeds from the Global Offering will increase to approximately HK\$634.4 million, assuming an Offer Price of HK\$3.03 per Share, being the mid-point of the indicative Offer Price range. If the Offer Price is set at the high end or low end of the indicative Offer Price range, the estimated net proceeds from the Global Offering, including the net proceeds from the exercise of the Over-allotment Option, will be approximately HK\$712.1 million or HK\$556.7 million, respectively. In each of these events, we will adjust the intended use of the net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks or financial institutions.

UNDERWRITING

HONG KONG UNDERWRITER

BOCI Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company agreeing to the final Offer Price), the Hong Kong Underwriter has agreed to subscribe or procure subscribers for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by the Sole Global Coordinator, in its sole and absolute discretion (for itself and on behalf of the Hong Kong Underwriter) by notice orally or in writing to our Company prior to 8:00 a.m. on the Listing Date if:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event, or series of events (either natural or intentional), in the nature of force majeure (including, without limitation, epidemics, pandemics, outbreaks of diseases (including, without limitation, Severe Acute Respiratory Syndrome (SARS), Influenza A (H5N1) or swine or avian influenza (H7N9) or such related/mutated forms), fire, explosion, flooding, tsunami, earthquake, volcano eruption, ice-storm, calamity, crisis, civil commotion, strikes, lock-outs, riot, public disorder, economic sanction, acts of government, declaration of a national or international emergency or war, outbreak or escalation of hostilities (whether or not war is declared), acts of war, acts of terrorism (whether or not responsibility has been claimed) or acts of God), severe or extended interruption in transportation, in or directly or indirectly affecting Hong Kong, Singapore, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction in which any member of our Group conducts business (each a **Relevant Jurisdiction**); or
 - (ii) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
 - (iii) any change or development involving a prospective change, or any event or series of events likely to result in or representing any change, or development, or a prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency credit or market conditions (including, without limitation, any conditions affecting stock and bond markets, money and foreign exchange markets, investment markets and credit markets) in or affecting any Relevant Jurisdiction; or

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- (iv) any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Markets, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or a devaluation of the HK\$ or the RMB against any foreign currencies; or
- (v) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of our Company or of any other members of our Group listed or quoted on a stock exchange or an over-the-counter market; or
- (vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction imposed by any competent governmental authority or any disruption in commercial banking, foreign exchange trading or securities settlement or clearance services in those places; or
- (vii) any new law or any change or development involving a prospective change in existing laws, or any event or circumstance likely to result in a change or development involving a prospective change in the existing laws, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (viii) (A) a change or development involving a prospective change in taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the HK\$ or the RMB against any foreign currencies, a change in the system under which the value of the HK\$ is linked to that of the US\$ or RMB is linked to any foreign currency or currencies), or (B) the implementation of any exchange control or taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (ix) the issue or requirement to issue by our Company of a supplemental or amendment to, among other documents, this prospectus, the Application Forms or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC, in circumstances where the matter to be disclosed could, in the opinion of the Sole Global Coordinator, adversely affect the marketing for or implementation of the Global Offering; or
- (x) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xi) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profits, losses, results of operations, positions or condition, financial, operational or otherwise, or performance of any member of our Group (including any litigation or claim of any third party being threatened or instigated against any member of our Group); or
- (xii) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of our Group which is not disclosed or referred to in this prospectus under the section headed “Business – Legal and Administrative Proceedings”; or
- (xiii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xiv) the chairman or chief executive officer of our Company vacating his office; or

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- (xv) a contravention by any member of our Group of the Listing Rules or applicable laws which is not disclosed or referred to in this prospectus under the section headed “Business – Regulatory Compliance”; or
- (xvi) a prohibition on our Company for whatever reason from allotting, issuing or selling, as the case may be, any of the Offer Shares (including the Over-Allotment Shares) pursuant to the terms of the Global Offering; or
- (xvii) a non-compliance of, among other documents, this prospectus, the Application Forms or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xviii) any demand by creditors for repayment of indebtedness or an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xix) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or on, any Relevant Jurisdiction,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (1) is or will or is likely to be materially adverse to, or materially and prejudicially affects, the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profits, losses, results of operations, positions or condition, financial, operational or otherwise, or performance of our Company or our Group as a whole or to any present or prospective shareholders of our Company in its capacity as such, or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering, or (3) makes it or will make it or is likely to make it inadvisable or inexpedient or incapable or impracticable for the Global Offering to proceed or to market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by, among other documents, this prospectus and the Application Forms, or (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable, inadvisable or impracticable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Sole Global Coordinator after the date of the Hong Kong Underwriting Agreement:
 - (i) that any statement contained in, among other documents, this prospectus and/or the Application Forms and/or any announcement or advertisement issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, in the sole and absolute opinion of the Sole Global Coordinator, when it was issued, or has become, untrue, incorrect, incomplete or misleading, or that any forecast, expression of opinion, intention or expectation expressed in, among other documents, this prospectus and/or the Application Forms and/or any announcements or advertisements, communications or other documents issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was made, not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, in any material respect; or

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- (ii) any contravention by any member of our Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company Law of the PRC or the Listing Rules; or
- (iii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (iv) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in any of the offering documents or constitute an omission therefrom; or
- (v) any breach of any of the obligations of our Company, the executive Directors or the Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (vi) any event, act or omission which gives or is likely to give rise to any liability of our Company, the executive Directors or the Controlling Shareholders or any of them pursuant to the Hong Kong Underwriting Agreement; or
- (vii) any material adverse change or prospective material adverse change or development involving a prospective adverse change in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, results of operations, positions or condition, financial, operational or otherwise, or performance of our Group as a whole; or
- (viii) any breach or alleged breach of any of the warranties or undertakings of the Hong Kong Underwriting Agreement, or any of (or any event rendering any of) the warranties or undertakings of the Hong Kong Underwriting Agreement is (or would when repeated be) untrue, incorrect, incomplete or misleading; or
- (ix) any litigation or dispute or potential litigation or dispute, which would materially affect the operation, financial condition, reputation or composition of the board of our Company and our Group; or
- (x) that a significant portion of the orders in the bookbuilding process at the time when the International Underwriting Agreement is entered into have been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (xi) that the investment commitments by any cornerstone investors (if any) after signing of agreements with such cornerstone investors have been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (xii) that the grant or agreement to grant by the Listing Committee of the Listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-Allotment Option and Shares issuable upon exercise of options which has been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme) (the "**Admission**") is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (xiii) that our Company withdraws this prospectus (or any other documents used in connection with the contemplated offer of the Shares) or the Global Offering; or
- (xiv) that any expert whose consent is required for the issue of this prospectus with inclusion of its reports and/or letters (as the case may be) and references to its name in the form and context in which they appear has withdrawn its consent to the issue of this prospectus.

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Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement, the Global Offering and the Over-allotment Option as described and contained in this prospectus, it/he/she shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a controlling shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (a) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall also inform the Stock Exchange in writing as soon as it has been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a public announcement to be published in accordance with the Listing Rules as soon as possible.

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Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Our Company has undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, except pursuant to the Global Offering, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months after the Listing Date (the “**First Six-Month Period**”), our Company will not, and will procure that the subsidiaries of our Company will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable) or deposit any share capital or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) and (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not such issue of the Shares or securities will be completed within such period), provided that the foregoing restrictions shall not apply to (i) the issue of Shares by our Company pursuant to the Reorganisation, the Capitalisation Issue and the Global Offering or (ii) the grant by our Company of any options, and the issue by our Company of Shares pursuant to the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company. Our Controlling Shareholders undertake to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter to procure our Company to comply with the undertakings set out above.

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By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, save as pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

- (a) he/it will not and, will procure that none of his/its affiliates will, during the First Six-Month Period: (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement or any pledge or charge of Shares by him or it in favour of an authorised institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan; or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (b) he/it will not and, will procure that none of his/its affiliates will, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder of our Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that such transaction, agreement or announcement, as the case may be, will not create a disorderly or false market in the securities of our Company.

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By Mr. Wu Yongmou

Mr. Wu Yongmou has undertaken to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

- (a) he will not and, will procure that none of his affiliates (including Yongweida) will, during the First Six-Month Period: (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period); and
- (b) until the expiry of the Second Six-Month Period, in the event that he or any of his affiliates (including Yongweida) enters into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, he will take all reasonable steps to ensure that such transaction, agreement or announcement, as the case may be, will not create a disorderly or false market in the securities of our Company.

By Uphigh Global and Ms. Tang Kam Sau

Each of Uphigh Global and Ms. Tang Kam Sau has undertaken to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

- (a) she/it will not and, will procure that none of her/it affiliates will, during the First Six-Month Period: (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to

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receive, or any warrants or other rights to purchase, any Shares); or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period); and

- (b) until the expiry of the Second Six-Month Period, in the event that she/it or any of her/it Affiliates enters into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, she/it will take all reasonable steps to ensure that such transaction, agreement or announcement, as the case may be, will not create a disorderly or false market in the securities of our Company.

Underwriting Commission and Expenses

The Underwriters are expected to receive a commission of 3.5% of the Offer Price of all the Offer Shares (including any Shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission. Such commission payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, is currently estimated to be approximately HK\$59.3 million in aggregate (based on an Offer Price of HK\$3.03 per Share, being the mid-point of the indicative Offer Price range of HK\$2.68 to HK\$3.38 per Share, and on the assumption that the Over-allotment Option is not exercised), which is to be borne by our Company.

In addition, our Company may, at our sole discretion, pay an incentive fee of up to 1.0% of the Offer Price of all the Offer Shares under the Global Offering to the Sole Global Coordinator in recognition of its services.

INDEMNITY

Each of our Company, the Controlling Shareholders and the executive Directors has agreed to indemnify the Hong Kong Underwriter against certain losses which the Hong Kong Underwriter may suffer, including losses arising from its performance of its obligations under the Hong Kong Underwriting Agreement and any breach by our Company and each of our Company, the Controlling Shareholders and the executive Directors of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the relevant Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE OF THE GLOBAL OFFERING

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$3.38 per Offer Share and is expected to be not less than HK\$2.68 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK\$3.38 per Share plus 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee amounting to a total of HK\$3,414.06 for one board lot of 1,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$3.38, being the maximum price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, 24 June 2015 and in any event, no later than Monday, 29 June 2015.

The Offer Price will not be more than HK\$3.38 per Offer Share and is expected to be not less than HK\$2.68 per Offer Share. The Offer Price will be determined within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with us, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics as currently set out in the section headed “Summary” of this prospectus and any other financial information which may change materially as a result of such reduction.

In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the number of Offer Shares and/or the Offer Price, if agreed by us, will under no circumstances be fewer than the number of Offer Shares or be set outside the Offer Price range as stated in this prospectus.

If we are unable to reach agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Offer Price on or before 24 June 2015, being the Price Determination Date, and, in any event, if we are unable to reach agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Offer Price by 29 June 2015, the Global Offering will not become unconditional and will lapse immediately.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the results of application and basis of allotment of the Hong Kong Offer Shares, on 30 June 2015.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering and the International Offering. We intend to make available initially up to 200,000,000 Shares under the Global Offering (assuming the Over-allotment Option is not exercised), of which 180,000,000 Shares will initially be conditionally placed pursuant to the International Offering and the remaining 20,000,000 Shares will initially be offered to the public in Hong Kong at the Offer Price under the Hong Kong Public Offering (subject, in each case, to reallocation on the basis described below under “Structure of the Global Offering – The Hong Kong Public Offering”). We will conditionally place our Shares in the International Offering with professional, institutional, corporate and other investors whom we anticipate to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

Investors may apply for our Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our Shares to professional, institutional, corporate and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional, corporate and other investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of our Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the Listing. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriter(s) pursuant to the International Underwriting Agreement, exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s). The Over-allotment Option gives the Sole Global Coordinator the right exercisable at any time from the date of the International Underwriting Agreement up to the thirtieth day from the last day for the lodging of applications under the Hong Kong Public Offering to require us to sell up to an aggregate of 30,000,000 existing Shares, representing 15% of the initial size of the Global Offering at the Offer Price solely to cover over-allocations in the International Offering if any. The Sole Global Coordinator may also cover such over-allocations by purchasing the Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, a press announcement will be made. For further details, please refer to the paragraph headed “The Over-allotment Option” in this section.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter and the International Offering is expected to be fully underwritten by the International Underwriter(s) in each case on a several basis, each being subject to the conditions set out under “Structure of the Global Offering – Conditions of the Hong Kong Public Offering”. We entered into the Hong Kong Underwriting Agreement and, subject to an agreement on the Offer Price between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), we expect to enter into the International Underwriting Agreement on or around 24 June 2015. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are expected to be conditional upon each other.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement) for the subscription in Hong Kong of initially 20,000,000 Shares at the Offer Price (representing 10% of the total number of Shares initially available under the Global Offering). Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of our Company’s enlarged issued share capital immediately after completion of the Capitalisation Issue and the Global Offering.

The total number of our Offer Shares available under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be divided into two pools for allocation purposes (subject to adjustment of odd lot size): pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B. Applicants should be aware that applications in pool A and in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. Applicants can only receive an allocation of the Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within pool A or pool B, and between the two pools, and any application for more than 10,000,000 Offer Shares (being 50% of the 20,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole discretion of the Sole Global Coordinator.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 60,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number

STRUCTURE OF THE GLOBAL OFFERING

of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 80,000,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 100,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally (subject to adjustment of odd lot size) between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such proportion and amounts as they deem appropriate. Conversely, the Sole Global Coordinator may at its discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme, and any options which may be granted under the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of the Hong Kong Public Offering is conditional upon, among other things, the International Offering and the Hong Kong Public Offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and we will notify the Stock Exchange immediately. We will publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse.

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In case the Hong Kong Public Offering lapses, we will return all application monies to the applicants, without interest and on the terms set out under “How to Apply for Hong Kong Offer Shares.” In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker(s) or other bank(s) licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE INTERNATIONAL OFFERING

The number of Offer Shares to be initially offered for subscription or purchase under the International Offering will be 180,000,000 Offer Shares to be offered by us representing 90% of the Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed by the International Underwriter(s), or through selling agents appointed by them, with professional, institutional, corporate and other investors anticipated to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of the Offer Shares under the Hong Kong Public Offering.

THE OVER-ALLOTMENT OPTION

In connection with the Global Offering, we intend to grant the Over-allotment Option to the Sole Global Coordinator on behalf of the International Underwriter(s). The Over-allotment Option gives the Sole Global Coordinator the right exercisable at any time from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to sell up to an aggregate of 30,000,000 existing Shares, representing in aggregate 15% of the initial size of the Global Offering at the Offer Price solely to cover over-allocations in the International Offering, if any. The Sole Global Coordinator may also cover such over-allocations by purchasing Shares in the secondary market or by a combination of purchase in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional existing Shares will represent approximately 3.61% of our enlarged share capital following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, a press announcement will be made.

In order to facilitate settlement of over-allocations in connection with the International Offering, Fortune Six and the Stabilising Manager will enter into the Stock Borrowing Agreement. Under the Stock Borrowing Agreement, Fortune Six, one of our Substantial Shareholders, will agree with the Stabilising Manager that, if requested by the Stabilising Manager, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 30,000,000 Shares held by Fortune Six by way of stock lending, in order to cover over-allocations in connection with the International Offering.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, provides that such stock borrowing arrangement will only be effected by the Stabilising Manager for the purpose of settling over-allocations of Shares in connection with the International Offering and covering any short position prior to the exercise of the Over-allotment Option. The maximum number of shares to be borrowed from Fortune Six under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option. The same number of Shares so borrowed is to be returned to Fortune Six or its nominees, as the case may be, not later than the third

STRUCTURE OF THE GLOBAL OFFERING

business day following the earlier of (i) the day on which the Over-allotment Option is exercised in full, or (ii) the last day on which the Over-allotment Option may be exercised by the Stabilising Manager. The stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefits will be made to Fortune Six by the Stabilising Manager or any of the International Underwriter(s) in relation to such stock borrowing arrangement.

STABILISING ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the initial public offer prices. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws, rules and regulations of Hong Kong, over-allocate or any effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing after the last day of the lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any stabilising activity. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be sold upon exercise of the Over-allotment Option, being 30,000,000 existing Shares, which is approximately 15% of the Shares initially available under the Global Offering.

The Stabilising Manager or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate our Shares; or
 - (2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - (B) stock borrowing;
 - (C) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (A) above;
 - (D) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or
 - (E) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B), (ii)(C) or (ii)(D) above.

The Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may include a decline in the market price of our Shares.

STRUCTURE OF THE GLOBAL OFFERING

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilisation period is expected to expire on 24 July 2015. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilising period in accordance with the Securities and Futures (Price Stabilising) Rules of the SFO.

Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 2 July 2015, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 2 July 2015. The Shares will be traded on the Main Board in board lots size of 1,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and us on the Price Determination Date and subject to the other conditions set out in the paragraph headed “Conditions of the Hong Kong Public Offering” above.

We expect, shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Underwriting Agreement relating to the International Offering.

UNDERWRITING ARRANGEMENTS, THE HONG KONG UNDERWRITING AGREEMENT AND THE INTERNATIONAL UNDERWRITING AGREEMENT ARE SUMMARISED IN THE SECTION HEADED “UNDERWRITING” IN THIS PROSPECTUS.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 19 June 2015 until 12:00 noon on Wednesday, 24 June 2015 from:

- (i) the following address of the Hong Kong Underwriter:
BOCI Asia Limited 26th Floor, Bank of China Tower, 1 Garden Road,
Central, Hong Kong

- (ii) any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road, Central
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
New Territories	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 19 June 2015 until 12:00 noon on Wednesday, 24 June 2015 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Sky Light Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 19 June 2015 – 9:00 a.m. to 5:00 p.m.
Monday, 22 June 2015 – 9:00 a.m. to 5:00 p.m.
Tuesday, 23 June 2015 – 9:00 a.m. to 5:00 p.m.
Wednesday, 24 June 2015 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 24 June 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead

HOW TO APPLY FOR HONG KONG OFFER SHARES

Manager and the Underwriters nor any of their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) and are not a U.S. person (as defined in Regulation S);
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9.00 a.m. on Friday, 19 June 2015 until 11:30 a.m. on Wednesday, 24 June 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 24 June 2015 or such later time under “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 19 June 2015	– 9:00 a.m. to 8:30 p.m.⁽¹⁾
Monday, 22 June 2015	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 23 June 2015	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 24 June 2015	– 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 19 June 2015 until 12:00 noon on Wednesday, 24 June 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 24 June 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 24 June 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

HOW TO APPLY FOR HONG KONG OFFER SHARES

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Determining the Offer Price” in the section headed “Structure of the Global Offering”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 24 June 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 24 June 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 30 June 2015 on our Company’s website at www.sky-light.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.sky-light.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m., Tuesday, 30 June 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 30 June 2015 to 12:00 midnight on Monday, 6 July 2015;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 30 June 2015 to Monday, 6 July 2015 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 30 June 2015 to Friday, 3 July 2015 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details, please refer to “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.38 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 30 June 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque(s), if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or around Tuesday, 30 June 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 2 July 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 30 June 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 30 June 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 30 June 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Tuesday, 30 June 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Tuesday, 30 June 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 30 June 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 30 June 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 30 June 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, 30 June 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 30 June 2015 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 30 June 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 30 June 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

19 June 2015

The Directors
Sky Light Holdings Limited
BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information of Sky Light Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014, the statement of financial position of the Company as at 31 December 2013 and 2014, together with the notes thereto (the “Financial Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 19 June 2015 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 18 December 2013 as an exempted company with limited liability. Pursuant to a group reorganisation (the “Reorganisation”) as set out in note 2.1 of Section II below, which was completed on 24 January 2014, the Company became the holding company of the other subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in the Cayman Islands.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 December 2013 and 2014, and of the state of affairs of Group as at 31 December 2012, 2013 and 2014, and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
REVENUE	6	1,658,829	1,622,527	2,092,385
Cost of sales		<u>(1,330,439)</u>	<u>(1,287,170)</u>	<u>(1,646,618)</u>
Gross profit		<u>328,390</u>	<u>335,357</u>	<u>445,767</u>
Other income and gains	6	12,404	11,553	7,946
Selling and distribution expenses		(15,179)	(14,366)	(15,580)
Administrative expenses		(60,492)	(69,126)	(94,961)
Research and development costs		(44,463)	(57,771)	(83,379)
Other expenses		(5,299)	(1,651)	(10,582)
Finance costs	8	<u>(1,754)</u>	<u>(2,589)</u>	<u>(2,727)</u>
PROFIT BEFORE TAX	7	213,607	201,407	246,484
Income tax expense	11	<u>(42,086)</u>	<u>(36,374)</u>	<u>(44,596)</u>
PROFIT FOR THE YEAR		<u>171,521</u>	<u>165,033</u>	<u>201,888</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Changes in fair value of available-for-sale investments		132	95	(76)
Exchange differences on translation of foreign operations		<u>(117)</u>	<u>8,472</u>	<u>47</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>15</u>	<u>8,567</u>	<u>(29)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>171,536</u>	<u>173,600</u>	<u>201,859</u>

	<i>Notes</i>	Year ended 31 December		
		2012	2013	2014
		HK\$'000	HK\$'000	HK\$'000
Profit attributable to:				
Owners of the Company		122,617	147,439	201,906
Non-controlling interests		48,904	17,594	(18)
		<u>171,521</u>	<u>165,033</u>	<u>201,888</u>
Total comprehensive income attributable to:				
Owners of the Company		122,577	154,825	201,877
Non-controlling interests		48,959	18,775	(18)
		<u>171,536</u>	<u>173,600</u>	<u>201,859</u>
Earnings per share attributable to equity holders of the parent				
Basic and diluted (expressed in HK\$ per share)	13	<u>122.62</u>	<u>147.44</u>	<u>201.91</u>

Details of the dividends declared/paid during the Relevant Periods are disclosed in note 14 of Section II below.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	Year ended 31 December		
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	75,930	86,605	101,260
Prepaid land lease payments	17	3,181	3,086	2,990
Intangible assets	16	486	1,310	6,315
Non-current prepayments	23	3,260	1,641	11,382
Deferred tax assets	28	5,134	3,746	2,634
Total non-current assets		<u>87,991</u>	<u>96,388</u>	<u>124,581</u>
CURRENT ASSETS				
Inventories	19	148,503	163,420	192,996
Trade receivables	20	72,142	319,571	251,235
Bills receivable		15,036	11,309	18,148
Derivative financial instruments	21	1,245	366	–
Available-for-sale investments	22	64,723	79,468	70,263
Due from related parties	36	793	3,320	1,792
Prepayments, deposits and other receivables	23	36,221	47,316	67,826
Pledged deposits	24	24,912	37,187	27,001
Cash and cash equivalents	24	218,639	104,138	167,167
Total current assets		<u>582,214</u>	<u>766,095</u>	<u>796,428</u>
CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	25	82,478	172,342	164,826
Trade payables	26	144,957	270,547	275,215
Bills payable		11,805	1,605	1,390
Dividend payable		–	48,153	150,000
Other payables and accruals	27	61,270	62,978	79,570
Derivative financial instruments	21	–	–	6,107
Tax payable		19,176	3,229	22,156
Due to related parties	36	1,406	56,794	1,793
Total current liabilities		<u>321,092</u>	<u>615,648</u>	<u>701,057</u>
NET CURRENT ASSETS		<u>261,122</u>	<u>150,447</u>	<u>95,371</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>349,113</u>	<u>246,835</u>	<u>219,952</u>

	<i>Notes</i>	Year ended 31 December		
		2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	28	<u>5,256</u>	<u>5,150</u>	<u>871</u>
Total non-current liabilities		<u>5,256</u>	<u>5,150</u>	<u>871</u>
Net assets		<u><u>343,857</u></u>	<u><u>241,685</u></u>	<u><u>219,081</u></u>
EQUITY				
Equity attributable to owners of the Company				
Issued capital	29	–	–	10
Reserves	30(a)	<u>255,095</u>	<u>241,598</u>	<u>219,071</u>
		<u>255,095</u>	<u>241,598</u>	<u>219,081</u>
Non-controlling interests		<u>88,762</u>	<u>87</u>	<u>–</u>
Total equity		<u><u>343,857</u></u>	<u><u>241,685</u></u>	<u><u>219,081</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Issued capital HK\$'000 (note 29)	Capital reserve HK\$'000 (note 30)	Reserve fund HK\$'000 (note 30)	Retained profits HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012	-	71,875	8,320	29,940	2,025	112,160	36,177	148,337
Profit for the year	-	-	-	122,617	-	122,617	48,904	171,521
Other comprehensive income/(loss) for the year:								
Changes in fair value of available-for- sale investments	-	95	-	-	-	95	37	132
Exchange differences on translation of foreign operations	-	-	-	-	(135)	(135)	18	(117)
Total comprehensive income/(loss) for the year	-	95	-	122,617	(135)	122,577	48,959	171,536
Transfer from retained profits	-	-	12,332	(12,332)	-	-	-	-
Issue of shares in subsidiaries	-	24,200	-	-	-	24,200	855	25,055
Acquisition of non-controlling interests	-	(3,842)	-	-	-	(3,842)	2,771	(1,071)
At 31 December 2012	-	92,328 [#]	20,652 [#]	140,225 [#]	1,890 [#]	255,095	88,762	343,857

Attributable to owners of the Company

	Issued capital HK\$'000 (note 29)	Capital reserve HK\$'000 (note 30)	Reserve fund HK\$'000 (note 30)	Retained profits HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2013	-	92,328	20,652	140,225	1,890	255,095	88,762	343,857
Profit for the year	-	-	-	147,439	-	147,439	17,594	165,033
Other comprehensive income for the year:								
Changes in fair value of available-for- sale investments	-	95	-	-	-	95	-	95
Exchange differences on translation of foreign operations	-	-	-	-	7,291	7,291	1,181	8,472
Total comprehensive income for the year	-	95	-	147,439	7,291	154,825	18,775	173,600
Transfer from retained profits	-	-	2,205	(2,205)	-	-	-	-
Acquisition of non-controlling interests	-	(2,967)	-	-	-	(2,967)	(62,047)	(65,014)
Dividends declared (note 14)	-	-	-	(165,355)	-	(165,355)	(45,403)	(210,758)
At 31 December 2013	-	89,456 [#]	22,857 [#]	120,104 [#]	9,181 [#]	241,598	87	241,685

Attributable to owners of the Company								
	Issued capital HK\$'000 (note 29)	Capital reserve HK\$'000 (note 30)	Reserve fund HK\$'000 (note 30)	Retained profits HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2014	–	89,456	22,857	120,104	9,181	241,598	87	241,685
Profit for the year	–	–	–	201,906	–	201,906	(18)	201,888
Other comprehensive income for the year:								
Changes in fair value of available-for-sale investments	–	(76)	–	–	–	(76)	–	(76)
Exchange differences on translation of foreign operations	–	–	–	–	47	47	–	47
Total comprehensive income for the year	–	(76)	–	201,906	47	201,877	(18)	201,859
Transfer from retained profits	–	–	3,740	(3,740)	–	–	–	–
Issue of shares	10	59,350	–	–	–	59,360	–	59,360
Disposal of subsidiaries	–	–	–	–	–	–	(69)	(69)
Dividends declared (note 14)	–	–	–	(283,754)	–	(283,754)	–	(283,754)
At 31 December 2014	10	148,730 [#]	26,597 [#]	34,516 [#]	9,228 [#]	219,081	–	219,081

Note:

[#] These reserve accounts comprise the consolidated reserves of HK\$255,095,000, HK\$241,598,000 and HK\$219,071,000 in the consolidated statements of financial position as at 31 December 2012, 2013 and 2014, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		213,607	201,407	246,484
Adjustments for:				
Finance costs	8	1,754	2,589	2,727
Bank interest income	6	(1,060)	(2,050)	(3,011)
Impairment/(reversal) of trade receivables	7	5,022	(283)	–
Write-down of inventories to net realisable value	7	20,814	7,558	3,705
Fair value (gains)/losses, net:				
Derivative instruments – transactions not qualifying as hedges	7	(1,245)	(366)	6,107
Depreciation	7	14,875	18,517	22,348
Amortisation of prepaid land lease prepayments	7	56	95	95
Amortisation of intangible assets	7	462	126	286
Loss on disposal of items of property, plant and equipment	7	35	154	1,098
Listing expenses		–	–	4,571
		<u>254,320</u>	<u>227,747</u>	<u>284,410</u>
Increase in inventories		(44,069)	(22,475)	(33,281)
(Increase)/decrease in trade and bills receivables		(24,348)	(243,419)	61,497
Decrease/(increase) in amounts due from related parties		223	(2,527)	1,528
Increase in prepayments, deposits and other receivables		(10,828)	(11,095)	(15,694)
(Decrease)/increase in trade and bills payables		(21,633)	122,890	4,453
(Decrease)/increase in an amount due to related parties		–	(155)	1,695
Increase in other payables and accruals		<u>22,042</u>	<u>1,713</u>	<u>16,816</u>
Cash generated from operations		175,707	72,679	321,424
Tax paid		<u>(27,971)</u>	<u>(51,038)</u>	<u>(28,837)</u>
Net cash flows from operating activities		<u>147,736</u>	<u>21,641</u>	<u>292,587</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(37,221)	(26,805)	(55,800)
(Increase)/decrease in available-for-sale investments		(61,796)	(14,745)	9,205
Interest received		1,060	2,050	3,011
Decrease/(increase) in pledged deposits		2,014	(12,275)	10,186
Gross proceeds from disposals of items of property, plant and equipment		<u>1,053</u>	<u>440</u>	<u>2,381</u>
Net cash flows used in investing activities		<u>(94,890)</u>	<u>(51,335)</u>	<u>(31,017)</u>

	<i>Notes</i>	Year ended 31 December		
		2012	2013	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		82,478	172,342	164,826
Repayments of bank loans		(43,529)	(82,478)	(172,342)
Interest paid		(1,754)	(2,589)	(2,727)
Dividends paid		–	(162,605)	(181,907)
(Decrease)/increase in amounts due to related parties		(65,603)	55,537	(56,691)
Acquisition of non-controlling interests		(1,071)	(65,014)	–
Proceeds from issue of shares in subsidiaries		25,055	–	–
Payment of listing expenses		–	–	(9,060)
Proceeds from issue of shares		–	–	59,360
		<u>–</u>	<u>–</u>	<u>59,360</u>
Net cash flows used in financing activities		<u>(4,424)</u>	<u>(84,807)</u>	<u>(198,541)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		48,422	(114,501)	63,029
		<u>170,217</u>	<u>218,639</u>	<u>104,138</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	<u>218,639</u>	<u>104,138</u>	<u>167,167</u>

STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment in a subsidiary	<i>18</i>	–	22,000
Total non-current assets		–	22,000
CURRENT ASSETS			
Amounts due from subsidiaries		–	49,186
Prepayments	<i>23</i>	–	4,816
Dividend receivable		–	160,000
Cash and cash equivalents	<i>24</i>	–	1,588
Total current assets		–	237,590
CURRENT LIABILITIES			
Other payables	<i>27</i>	–	327
Dividend payable		–	150,000
Total current liabilities		–	150,327
NET CURRENT ASSETS		–	87,263
Net assets		–	87,263
EQUITY			
Issued capital	<i>29</i>	–*	10
Reserves	<i>30(b)</i>	–	87,253
Total equity		–	87,263

* The issued capital as at 31 December 2013 is HK\$1.

II. NOTES TO THE FINANCIAL INFORMATION

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 Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in:

- Manufacture and distribution of action camera products and related accessories
- Manufacture and distribution of digital imaging products
- Manufacture and distribution of other electronic products

In the opinion of the directors (the "Directors"), as at the date of this report, the immediate holding company and ultimate holding company of the Company is Fortune Six Investment Ltd., a company incorporated in the British Virgin Islands ("BVI").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "History, Reorganisation and Corporate Structure" in the Prospectus.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company's Name	Place and date of incorporation/ registration and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sky Light Electronics Limited ("SLE") ^(a)	Hong Kong 22 August 2006	HK\$22,000,000	100%	–	Investment holding
Sky Light Electronics (SZ) Limited ("Sky Light Shenzhen") ^{(b)#} 天彩電子(深圳)有限公司	People's Republic of China (the "PRC")/ Mainland China 23 January 2008	HK\$52,469,338	–	100%	Manufacture and sale of action camera products and related accessories and digital imaging products
Sky Light Digital Limited ("Sky Light Digital") ^(c)	Hong Kong 21 June 2005	HK\$5,000,000	–	100%	Distribution of action camera products and related accessories and digital imaging products
Sky Light Imaging Limited ("Sky Light Imaging") ^(c)	Hong Kong 22 August 2006	HK\$5,000,000	–	100%	Distribution of action camera products and related accessories and digital imaging products
Sky Light Technology (HY) Limited ("Sky Light Technology (HY)") ^{(b)#} 河源市新天彩科技有限公司	PRC/Mainland China 2 March 2010	RMB20,000,000	–	100%	Manufacture and sale of action camera products and related accessories and digital imaging products

Company's Name	Place and date of incorporation/ registration and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen Skypix Technology ("Shenzhen Skypix Technology") ^{(d)#} 深圳市唯彩偉業科技有限公司	PRC/Mainland China 31 May 2010	RMB20,000,000	–	100%	Manufacture of plastic parts and electronic components
Sky Light Software Limited ^{(e)#} 深圳天彩智通軟件有限公司	PRC/Mainland China 25 March 2013	RMB5,000,000	–	100%	Software development
Creative Applications Ltd. ("Creative") ^(f)	Hong Kong 25 February 2013	HK\$1	–	100%	Product design

The English names of the Company's subsidiaries registered in Mainland China represent the translated names of these companies as no English names have been registered.

Notes:

- The statutory audited financial statements of SLE for the year ended 31 December 2012 prepared under HKFRSs were audited by T.K. LO & COMPANY, certified public accountants registered in Hong Kong, and the statutory audited financial statements of SLE for the year ended 31 December 2013 and 2014 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.
- The statutory audited financial statements of these entities for the years ended 31 December 2012, 2013 and 2014 prepared under PRC generally accepted accounting principles ("PRC GAAP") were audited by Ernst & Young Hua Ming LLP.
- The statutory audited financial statements of Sky Light Digital for the years ended 31 December 2012, 2013 and 2014 prepared under HKFRSs were audited by T.K. LO & COMPANY, certified public accountants registered in Hong Kong.
The statutory audited financial statements of Sky Light Imaging for the year ended 31 December 2013 and 2014 prepared under HKFRSs were audited by T.K. LO & COMPANY. No audited financial statements have been prepared for Sky Light Imaging for the year ended 31 December 2012 since its incorporation as the entity was not subject to any statutory audit requirement under the relevant rules and regulations in its jurisdiction of incorporation.
- The statutory audited financial statements of the entity for the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by WONGGA Partners Certified Public Accountants (SZ) General Partner ("深圳皇嘉會計師事務所 (普通合夥)"), registered in the PRC. No audited financial statements have been prepared for the entity in 2014 as the entity was not subject to any statutory audit requirement under the relevant rules and regulations in its jurisdiction of incorporation.
- The statutory audited financial statements of the entity for the years ended 31 December 2013 and 2014 prepared under PRC GAAP were audited by WONGGA Partners Certified Public Accountants (SZ) General Partner ("深圳皇嘉會計師事務所 (普通合夥)"), registered in the PRC.
- No audited financial statements have been prepared for the entity since its incorporation as the entity was not subject to any statutory audit requirement under the relevant rules and regulations in its jurisdiction of incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 24 January 2014. The companies now comprising the Group were under the common control of the controlling shareholder Tang Wing Fong Terry before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a consolidated basis by applying the principles of the merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the controlling shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. The Financial Information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	<i>Financial Instruments</i> ⁴
Amendments to HKAS 1	<i>Disclosure Initiative</i> ²
Amendments to HKFRS 10, and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ²
Annual Improvements to HKFRSs 2010-2012 Cycle	<i>Amendments to a number of HKFRSs</i> ¹
Annual Improvements to HKFRSs 2011-2013 Cycle	<i>Amendments to a number of HKFRSs</i> ¹
Annual Improvements to HKFRSs 2012-2014 Cycle	<i>Amendments to a number of HKFRSs</i> ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group’s results of operations and financial position.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Leasehold improvements	18%
Machinery	9%-18%
Motor vehicles	18%
Office and other equipment	18%-30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Asset held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statements of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the consolidated statements of profit or loss. These net fair value changes not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statements of profit or loss. The loss arising from impairment is recognised in the consolidated statements of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of purchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Gains or losses on liabilities held for trading are recognised in the consolidated statements of profit or loss. The net fair value gain or loss recognised in the consolidated statements of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The derivative instruments entered into by the Group do not qualify for hedge accounting, and changes in the fair value of these derivative instruments are recognised in the consolidated statements of profit or loss and other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee retirement benefits

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The financial statements are presented in HK\$, which the Company adopted as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statements of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the HK\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company which is HK\$ at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss and other comprehensive income are translated into HK\$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statements of profit or loss and other comprehensive income.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group’s accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The carrying amounts of property, plant and equipment at 31 December 2012, 2013 and 2014 were HK\$75,930,000, HK\$86,605,000 and HK\$101,260,000, respectively. Further details are given in note 15.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from a subsidiary in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends. Withholding taxes are provided for the profits of the subsidiary in the PRC which the Group considers that it is probable to be distributed in the foreseeable future.

Deferred tax

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Deferred tax liability is recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared.

5. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the manufacture and selling of action camera and related accessories during the Relevant Periods. Information reported to the Group's management, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information**(a) Revenue from external customers**

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
United States of America	1,424,603	1,408,639	1,786,932
Mainland China	36,849	62,621	135,647
European Union	117,226	59,224	62,685
Other overseas countries	80,151	92,043	107,121
	1,658,829	1,622,527	2,092,385

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

(b) *Non-current assets*

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Mainland China	77,142	87,114	116,469
Hong Kong	5,715	5,528	5,478
	<u>82,857</u>	<u>92,642</u>	<u>121,947</u>

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

Information about a major customer

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

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
A single customer	<u>1,225,628</u>	<u>1,240,986</u>	<u>1,573,834</u>

6. REVENUE, OTHER INCOME AND GAINS

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

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

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
<u>Revenue</u>			
Sale of goods	<u>1,658,829</u>	<u>1,622,527</u>	<u>2,092,385</u>
<u>Other income and gains</u>			
Bank interest income	1,060	2,050	3,011
Government grants:			
Related to income*	609	3,271	1,653
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges	1,245	366	–
Investment income from available-for-sale investments	4,136	4,882	2,350
Reversal of impairment of trade receivables	–	283	–
Exchange gains	5,032	–	–
Others	322	701	932
	<u>12,404</u>	<u>11,553</u>	<u>7,946</u>

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

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cost of inventories sold		1,309,625	1,279,612	1,642,913
Depreciation	15	14,875	18,517	22,348
Amortisation of prepaid land lease payments*	17	56	95	95
Amortisation of intangible assets*	16	462	126	286
Auditors' remuneration		1,455	876	1,266
Research and development costs		44,463	57,771	83,379
Minimum lease payments under operating leases		6,926	8,265	8,112
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):				
Wages and salaries		136,520	178,426	224,697
Pension scheme contributions		14,888	12,352	15,907
		<u>151,408</u>	<u>190,778</u>	<u>240,604</u>
Impairment/(reversal) of trade receivables		5,022	(283)	–
Write-down of inventories to net realisable value		20,814	7,558	3,705
Fair value gains/(losses), net:				
Derivative instruments – transactions not qualifying as hedges		1,245	366	(6,107)
Exchange gains/(losses), net		5,032	(1,173)	(2,747)
Loss on disposal of items of property, plant and equipment		35	154	1,098
Listing expenses		–	–	4,571

* The amortisation of prepaid land lease payments and the amortisation of intangible assets are included in administrative expense in the profit or loss.

8. FINANCE COSTS

	Year ended 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Interest on bank loans	<u>1,754</u>	<u>2,589</u>	<u>2,727</u>

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Tang Wing Fong Terry was appointed as chief executive director of the Company on 18 December 2013. He did not receive any remuneration in respect of his service as the chief executive director rendered to the Company during the period from 18 December 2013 to 31 December 2014. Other than Mr. Tang Wing Fong Terry, the Company did not have any chief executive or director during the Relevant Periods.

Subsequent to the Relevant Periods, Mr. Wu Yong Mou and Mr. Lu Yong Bin were appointed as executive directors of the Company on 25 March 2015. Mr. Huang Erwin Steve and Ms. Tang Kam Sau were appointed as non-executive directors of the Company on 25 March 2015. Mr. Chan Tsu Ming Louis, Mr. Wong Kee Fung Kenneth and Mr. Cheung Wah Keung were appointed as independent non-executive of the Company on 12 June 2015. Certain of them, together with Mr. Tang Wing Fong Terry, received remuneration from certain of the subsidiaries now comprising the Group during the Relevant Periods for their appointment as management of these subsidiaries. The aggregate remuneration of each of these directors and chief executive then appointed as recorded in the financial statements of the subsidiaries for each of the Relevant Periods, is analysed as follows:

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Performance related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2012					
Executive directors:					
Mr. Tang Wing Fong Terry	–	1,053	–	13	1,066
Mr. Wu Yong Mou	–	660	–	6	666
Mr. Lu Yong Bin	–	224	107	27	358
	–	1,937	107	46	2,090
2013					
Executive directors:					
Mr. Tang Wing Fong Terry	–	1,045	–	15	1,060
Mr. Wu Yong Mou	–	1,131	–	7	1,138
Mr. Lu Yong Bin	–	254	126	31	411
	–	2,430	126	53	2,609
2014					
Executive directors:					
Mr. Tang Wing Fong Terry	–	1,054	–	15	1,069
Mr. Wu Yong Mou	–	1,300	–	8	1,308
Mr. Lu Yong Bin	–	284	141	30	455
	–	2,638	141	53	2,832

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2012, 2013 and 2014 included 2, 2 and 2 directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining 3, 3 and 3 highest paid employees who are neither a director nor chief executive during the Relevant Periods are as follows:

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,588	1,690	1,781
Performance-related bonuses	734	719	804
Pension scheme contributions	62	68	73
	<u>2,384</u>	<u>2,477</u>	<u>2,658</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2012	2013	2014
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

11. INCOME TAX

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

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the Relevant Periods.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income. Preferential tax treatment is available to one of the Group's principal operating subsidiaries, Sky Light Shenzhen, since it was recognised as a High and New Technology Enterprise and is entitled to a preferential tax rate of 15% for each of the Relevant Periods. In addition, preferential tax treatment is also available to Sky Light Technology (HY) since it was recognised as a High and New Technology Enterprise and is entitled to a preferential tax rate of 15% for the years of 2013 and 2014.

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Group:			
Charge for the year			
Current – Mainland China	24,207	13,792	15,589
Current – Hong Kong	14,837	21,301	32,173
Deferred (<i>note 28</i>)	<u>3,042</u>	<u>1,281</u>	<u>(3,166)</u>
Total tax charge for the year	<u>42,086</u>	<u>36,374</u>	<u>44,596</u>

A reconciliation of the income tax expense applicable to profit before tax at the statutory/applicable rates for the locations in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	Year ended 31 December					
	2012		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>213,607</u>		<u>201,407</u>		<u>246,484</u>	
Tax at the statutory tax rate	45,622	21.36%	41,900	20.8%	47,803	19.39%
Entities subject to lower statutory income tax rates	(8,518)	(3.99%)	(9,909)	(4.92%)	(10,879)	(4.41%)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	5,051	2.36%	5,257	2.61%	7,640	3.10%
Expenses not deductible for tax	301	0.14%	133	0.07%	279	0.11%
Income not subject to tax	(257)	(0.12%)	(495)	(0.25%)	(247)	(0.10%)
Tax losses utilised from previous periods	<u>(113)</u>	<u>(0.05%)</u>	<u>(512)</u>	<u>(0.25%)</u>	<u>–</u>	<u>–</u>
Tax charge at the Group's effective tax rate	<u>42,086</u>	<u>19.70%</u>	<u>36,374</u>	<u>18.06%</u>	<u>44,596</u>	<u>18.09%</u>

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the period from 18 December 2013 (date of incorporation) to 31 December 2013 and for the year ended 31 December 2014 included a profit of nil and HK\$289,658,000 respectively which has been dealt with in the Financial Information of the Company (note 30(b)).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods. In determining the weighted average number of ordinary shares in issue during the Relevant Periods, 1,000,000 shares of the Company, which were resulted from the issue and allotment of 1,000,000 shares by the Company in connection with the Reorganisation, had been treated as if those shares were in issue since the beginning of the Relevant Periods.

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Profit attributable to owners of the Company (HK\$'000)	<u>122,617</u>	<u>147,439</u>	<u>201,906</u>
Weighted average number of ordinary shares in issue	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Basic and diluted earnings per share (HK\$)	<u>122.62</u>	<u>147.44</u>	<u>201.91</u>

The Company did not have any dilutive potential ordinary shares outstanding during the Relevant Periods. Diluted earnings per share is equal to the basic earnings per share.

The basic earnings per share and diluted earnings per share as presented on the consolidated statement of profit or loss and other comprehensive income have not taken into account the proposed Capitalisation Issue as referred to in the section headed "Statutory and General Information – Information about the Company – 3. Resolutions in writing of the Shareholders passed on 12 June 2015" in Appendix IV to this Prospectus, because the Capitalisation Issue has not been effective as at the date of this report.

14. DIVIDENDS

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Dividends	–	210,758	283,754

The dividend of HK\$210,758,000 and HK\$283,754,000 for 2013 and 2014 was approved and declared by the then owners of the Company and the dividend of HK\$210,758,000 was settled in 2013 and 2014. The dividend of HK\$283,754,000 was partially settled in 2014.

15. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings HK\$'000	Leasehold Improvements HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Office and other equipment HK\$'000	Total HK\$'000
31 December 2012						
At 1 January 2012:						
Cost	–	4,323	63,155	1,984	5,992	75,454
Accumulated depreciation	–	(1,347)	(12,085)	(286)	(2,052)	(15,770)
Net carrying amount	–	2,976	51,070	1,698	3,940	59,684
At 1 January 2012, net of accumulated depreciation	–	2,976	51,070	1,698	3,940	59,684
Additions	2,221	1,856	22,043	1,030	5,069	32,219
Disposals	–	–	(1,080)	–	(8)	(1,088)
Depreciation provided during the year (note 7)	(37)	(975)	(10,699)	(236)	(2,928)	(14,875)
Exchange realignment	–	–	(9)	–	(1)	(10)
At 31 December 2012, net of accumulated depreciation	2,184	3,857	61,325	2,492	6,072	75,930
At 31 December 2012:						
Cost	2,221	6,179	80,983	3,013	10,672	103,068
Accumulated depreciation	(37)	(2,322)	(19,658)	(521)	(4,600)	(27,138)
Net carrying amount	2,184	3,857	61,325	2,492	6,072	75,930
31 December 2013						
At 1 January 2013:						
Cost	2,221	6,179	80,983	3,013	10,672	103,068
Accumulated depreciation	(37)	(2,322)	(19,658)	(521)	(4,600)	(27,138)
Net carrying amount	2,184	3,857	61,325	2,492	6,072	75,930

Group	Buildings HK\$'000	Leasehold Improvements HK\$'000	Machinery HK\$'000	Motor vehicles HK\$'000	Office and other equipment HK\$'000	Total HK\$'000
At 1 January 2013, net of accumulated depreciation	2,184	3,857	61,325	2,492	6,072	75,930
Additions	–	280	24,458	4	2,747	27,489
Disposals	–	–	(594)	–	–	(594)
Depreciation provided during the year (note 7)	(63)	(1,280)	(13,939)	(493)	(2,742)	(18,517)
Exchange realignment	–	120	1,920	78	179	2,297
At 31 December 2013, net of accumulated depreciation	<u>2,121</u>	<u>2,977</u>	<u>73,170</u>	<u>2,081</u>	<u>6,256</u>	<u>86,605</u>
At 31 December 2013: Cost	2,221	6,582	106,801	3,112	13,697	132,413
Accumulated depreciation	(100)	(3,605)	(33,631)	(1,031)	(7,441)	(45,808)
Net carrying amount	<u>2,121</u>	<u>2,977</u>	<u>73,170</u>	<u>2,081</u>	<u>6,256</u>	<u>86,605</u>
31 December 2014						
At 1 January 2014: Cost	2,221	6,582	106,801	3,112	13,697	132,413
Accumulated depreciation	(100)	(3,605)	(33,631)	(1,031)	(7,441)	(45,808)
Net carrying amount	<u>2,121</u>	<u>2,977</u>	<u>73,170</u>	<u>2,081</u>	<u>6,256</u>	<u>86,605</u>
At 1 January 2014, net of accumulated depreciation	2,121	2,977	73,170	2,081	6,256	86,605
Additions	5,180	556	32,488	353	2,187	40,764
Disposals	–	–	(3,447)	–	(32)	(3,479)
Depreciation provided during the year (note 7)	(86)	(1,295)	(17,360)	(517)	(3,090)	(22,348)
Exchange realignment	–	(10)	(245)	(7)	(20)	(282)
At 31 December 2014, net of accumulated depreciation	<u>7,215</u>	<u>2,228</u>	<u>84,606</u>	<u>1,910</u>	<u>5,301</u>	<u>101,260</u>
At 31 December 2014: Cost	7,401	7,186	132,312	3,454	15,349	165,702
Accumulated depreciation	(186)	(4,958)	(47,706)	(1,544)	(10,048)	(64,442)
Net carrying amount	<u>7,215</u>	<u>2,228</u>	<u>84,606</u>	<u>1,910</u>	<u>5,301</u>	<u>101,260</u>

Certain of the Group's banking facilities were secured by the Group's buildings with a carrying value of HK\$2,184,000, HK\$2,121,000 and HK\$2,058,000 as at 31 December 2012, 2013 and 2014 respectively. Certificates of ownership in respect of certain buildings of the Group located in Mainland China with a net carrying value of HK\$5,158,000 as at 31 December 2014 have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining these certificates.

16. INTANGIBLE ASSETS

Group	Software HK\$'000
31 December 2012	
Cost at 1 January 2012, net of accumulated amortisation	948
Amortisation provided during the year (<i>note 7</i>)	(462)
	<u>486</u>
At 31 December 2012, net of accumulated amortisation	<u><u>486</u></u>
At 31 December 2012:	
Cost	1,481
Accumulated amortisation	(995)
	<u>486</u>
Net carrying amount	<u><u>486</u></u>
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	486
Additions	935
Amortisation provided during the year (<i>note 7</i>)	(126)
Exchange realignment	15
	<u>1,310</u>
At 31 December 2013, net of accumulated amortisation	<u><u>1,310</u></u>
At 31 December 2013:	
Cost	2,416
Accumulated amortisation	(1,106)
	<u>1,310</u>
Net carrying amount	<u><u>1,310</u></u>
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	1,310
Additions	5,295
Amortisation provided during the year (<i>note 7</i>)	(286)
Exchange realignment	(4)
	<u>6,315</u>
At 31 December 2014, net of accumulated amortisation	<u><u>6,315</u></u>
At 31 December 2014:	
Cost	7,704
Accumulated amortisation	(1,389)
	<u>6,315</u>
Net carrying amount	<u><u>6,315</u></u>

17. PREPAID LAND LEASE PAYMENTS

Group

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Carrying amount at 1 January	–	3,276	3,181
Additions	3,332	–	–
Recognised during the year (note 7)	(56)	(95)	(95)
Exchange realignment	–	–	(1)
	<u>3,276</u>	<u>3,181</u>	<u>3,085</u>
Carrying amount at 31 December	3,276	3,181	3,085
Current portion included in prepayments, deposits and other receivables (note 23)	(95)	(95)	(95)
	<u>3,181</u>	<u>3,086</u>	<u>2,990</u>
Non-current portion	<u>3,181</u>	<u>3,086</u>	<u>2,990</u>

Certain of the Group's banking facilities were secured by the Group's prepaid land lease payments with a carrying value of HK\$3,276,000, HK\$3,181,000 and HK\$3,085,000 as at 31 December 2012, 2013 and 2014 respectively.

The Group's leasehold land is situated in Hong Kong and held under a medium term lease.

18. INVESTMENT IN A SUBSIDIARY

Company

	2013 HK\$'000	2014 HK\$'000
Unlisted, at cost	–	22,000
	<u>–</u>	<u>22,000</u>

19. INVENTORIES

Group

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Raw materials	91,678	82,838	87,839
Work in progress	43,908	64,530	66,725
Finished goods	12,917	16,052	38,432
	<u>148,503</u>	<u>163,420</u>	<u>192,996</u>

20. TRADE RECEIVABLES

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

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

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

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	68,981	206,106	246,355
31 to 60 days	3,133	112,771	3,675
61 to 90 days	28	521	123
Over 90 days	–	173	1,082
	<u>72,142</u>	<u>319,571</u>	<u>251,235</u>

The movements in provision for impairment of trade receivables are as follows:

Group

	As at 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
At 1 January	–	–	–
Impairment losses recognised (<i>note 7</i>)	(5,022)	–	–
Amount written off as uncollectible	5,022	(283)	–
Impairment losses reversed (<i>note 7</i>)	–	283	–
	<u>–</u>	<u>–</u>	<u>–</u>

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers who were in financial difficulties and only a portion of the receivables is expected to be recovered.

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

Group

	Total	Neither past due nor impaired	Past due but not impaired	
			< 60 days	Over 60 days
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2012	72,142	72,142	–	–
31 December 2013	319,571	319,398	173	–
31 December 2014	251,235	250,153	1,082	–

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

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Forward currency contracts	1,245	366	(6,107)

The Group has entered into various contracts to manage its exchange rate exposures, which did not meet the criteria for hedge accounting. Gains/(losses) on changes in the fair value amounting to HK\$1,245,000, HK\$366,000 and HK\$(6,107,000) were recognised in the statement of profit or loss and other comprehensive income for the years 2012, 2013 and 2014, respectively.

22. AVAILABLE-FOR-SALE INVESTMENTS

Group

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Available-for-sale investments	64,723	79,468	70,263

As at 31 December 2012, 2013 and 2014, the Group's available-for-sale investments represent investments in several wealth management contracts and the fair values of the wealth management contracts approximated to their carrying amounts.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Non-current assets			
Non-current prepayments	3,260	1,641	11,382
Current assets			
Prepayments	2,858	4,156	9,400
Deposits and other receivables	33,268	43,065	58,331
Prepaid land lease payments (<i>note 17</i>)	95	95	95
	36,221	47,316	67,826

Company

	As at 31 December	
	2013 HK\$'000	2014 HK\$'000
Prepayments	–	4,816

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Cash and bank balances	166,658	115,633	167,167
Time deposits	76,893	25,692	27,001
	<u>243,551</u>	<u>141,325</u>	<u>194,168</u>
Less: Pledged deposits			
Pledged for bank overdrafts (<i>note 25</i>)	(24,912)	(37,187)	(27,001)
Cash and cash equivalents	<u>218,639</u>	<u>104,138</u>	<u>167,167</u>
Cash and bank balances denominated in			
– Renminbi (“RMB”)	106,771	60,977	55,810
– United States dollars (“US\$”)	103,325	31,803	72,009
– HK\$	3,093	5,719	35,896
– Other currencies	5,450	5,639	3,452
Cash and cash equivalents	<u>218,639</u>	<u>104,138</u>	<u>167,167</u>

Company

	As at 31 December	
	2013 HK\$'000	2014 HK\$'000
Cash and bank balances	<u>–</u>	<u>1,588</u>

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged bank deposits represented balances pledged to banks for the Group's banking facilities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

Current	2012			2013			2014		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Bank loans – secured	2.3 ~ 2.5	2013	<u>82,478</u>	1.6 ~ 2.3	2014	<u>172,342</u>	1.6 ~ 1.8	2015	<u>164,826</u>

Analysed into:	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank overdrafts:			
Within one year	82,478	172,342	164,826

The Group's banking facilities amounting to HK\$258,907,000, HK\$457,416,000 and HK\$590,923,000 in 2012, 2013 and 2014 respectively, of which HK\$82,478,000, HK\$172,342,000 and HK\$164,826,000 had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's time deposits, buildings and prepaid land lease payments.

Certain of the Group's bank loans are secured by:

- (i) the pledge of certain of the Group's time deposits amounting to HK\$24,912,000, HK\$37,187,000, and HK\$27,001,000 at 31 December 2012, 2013 and 2014 respectively;
- (ii) mortgages over the Group's buildings, which had an aggregate carrying value amounting to HK\$2,184,000, HK\$2,121,000 and HK\$2,058,000 at 31 December 2012, 2013 and 2014 respectively; and
- (iii) mortgages over the Group's prepaid land lease payments, which had an aggregate carrying value amounting to HK\$3,276,000, HK\$3,181,000 and HK\$3,085,000 at 31 December 2012, 2013 and 2014 respectively.

In addition, a director of the Company has guaranteed the Group's bank loans up to HK\$82,478,000, HK\$172,342,000 and HK\$164,826,000 as at the end of each of the Relevant Periods.

26. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	54,624	113,126	109,217
31 to 60 days	49,187	96,498	108,843
61 to 90 days	25,473	39,234	45,397
Over 90 days	15,673	21,689	11,758
	<u>144,957</u>	<u>270,547</u>	<u>275,215</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

27. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deposits received from customers	17,046	14,370	24,039
Other payables	7,376	4,961	5,365
Salary and welfare payables	36,411	43,547	50,058
Accruals	437	100	108
	<u>61,270</u>	<u>62,978</u>	<u>79,570</u>

Company

	As at 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	–	327
	<u> </u>	<u> </u>

Salary and welfare payables are non-interest-bearing and are payable on demand. Other payables and accruals are non-interest-bearing and are due to mature within one year.

28. DEFERRED TAX**Deferred tax assets**

Deferred tax assets have been recognised in respect of temporary differences between the carrying amounts and tax bases of inventory provision.

The movements in deferred tax assets are as follows:

Group

	Provision
	<i>HK\$'000</i>
At 1 January 2012	2,990
Deferred tax credited to profit or loss during the year (<i>note 11</i>)	2,143
Exchange realignment	1
	<u> </u>
At 31 December 2012 and 1 January 2013	5,134
Deferred tax credited to profit or loss during the year (<i>note 11</i>)	(1,388)
Exchange realignment	–
	<u> </u>
At 31 December 2013 and 1 January 2014	3,746
Deferred tax credited to profit or loss during the year (<i>note 11</i>)	(1,113)
Exchange realignment	1
	<u> </u>
At 31 December 2014	<u>2,634</u>

Deferred tax liabilities

The movements in deferred tax liabilities are as follows:

Group

	Withholding taxes
	<i>HK\$'000</i>
At 1 January 2012	71
Deferred tax charged to profit or loss during the year (<i>note 11</i>)	5,185
Exchange realignment	–
	<u> </u>
At 31 December 2012 and 1 January 2013	5,256
Deferred tax credited to profit or loss during the year (<i>note 11</i>)	(107)
Exchange realignment	1
	<u> </u>
At 31 December 2013 and 1 January 2014	5,150
Deferred tax credited to profit or loss during the year (<i>note 11</i>)	(4,279)
Exchange realignment	–
	<u> </u>
At 31 December 2014	<u>871</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% for the Relevant Periods. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

29. ISSUED CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 December 2013 with initial authorised share capital of HK\$380,000 divided into 380,000 shares of nominal value of HK\$1.00 each. On the date of incorporation, 1 share of nominal value of HK\$1.00 each was allotted and issued to its then shareholder. On 24 January 2014, the issued and unissued share of HK\$1.00 each in the share capital of the Company was sub-divided into 100 shares of HK\$0.01 each in the share capital of the Company. Upon the completion of the Reorganisation on 24 January 2014, the Company became the holding company of the Group.

Company

	2013 HK\$'000
Issued and fully paid:	
1 ordinary shares	—*
	<u> </u>

* The issued capital as at 31 December 2013 was HK\$1.

	2014 HK\$'000
Issued and fully paid:	
1,000,000 ordinary shares	10
	<u> </u>

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity of the Financial Information.

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 set out in note 30 (b) over the nominal value of the Company's shares issued in exchange therefor, and represents the excess of the fair value of shares issued to the Group's management in December 2011 over the nominal value of those shares.

Reserves fund

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.

(b) Company

	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At the date of incorporation	–	–	–
At 31 December 2013	–	–	–
	<u>59,350</u>	<u>–</u>	<u>59,350</u>
Issue of shares	59,350	–	59,350
Capital reserve arising from Reorganisation	22,000	–	22,000
Total comprehensive income for the year	–	289,658	289,658
Dividend declared	–	(283,755)	(283,755)
	<u>81,350</u>	<u>5,903</u>	<u>87,253</u>
At 31 December 2014	81,350	5,903	87,253

31. PLEDGE OF ASSETS

Details of the Group's bank overdrafts, which are secured by the assets of the Group, are included in notes 15, 17 and 24 to the Financial Information.

32. OPERATING LEASE ARRANGEMENTS**As lessee**

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

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group	As at 31 December		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	6,445	4,794	5,601
In the second to third years, inclusive	5,295	1,200	3,485
	<u>11,740</u>	<u>5,994</u>	<u>9,086</u>

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

Group	As at 31 December		
	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracted, but not provided for: Plant and machinery	11,696	988	5,656

34. CONTINGENT LIABILITIES

The Group had no significant contingent liability as at the end of each of the Relevant Periods.

35. RELATED PARTY TRANSACTIONS AND BALANCES

- (1) In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following material transactions with related parties during each of the Relevant Periods:

	Notes	As at 31 December		
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Rental expenses:				
XinYongYi Technology Park (Heyuan) Limited ("XinYongYi")	(i)	2,814	3,675	4,150
Purchases of property, plant and equipment:				
Shenzhen Yongyida Electronics Co., Ltd. ("YongYiDa")	(ii)	2,232	–	–

- (i) The rental expenses were paid to XinYongYi, which was controlled by a director of a subsidiary now comprising the Group, for a lease of plant and office premises located in Heyuan and were charged a monthly rental of HK\$234,538, HK\$306,280 and HK\$345,875 for the years ended 31 December 2012, 2013 and 2014. The rental was made according to negotiation with the counterparties.
- (ii) The purchases of property, plant and equipment from YongYiDa which was controlled by a director of a subsidiary now comprising the Group, were based on normal commercial terms after arm's length negotiation between the parties. The purchase price was determined according to negotiation with the counterparties.
- (2) Compensation of key management personnel of the Group

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Short term employee benefits	4,285	4,920	5,364
Post-employment benefits	108	121	126
Total compensation paid to key management personnel	4,393	5,041	5,490

Further details of directors' and the chief executive's emoluments are included in note 9 to the Financial Information.

(3) Outstanding balances with related parties

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Due from related parties			
XinYongYi	793	1,465	1,792
Tang Wing Fong Terry	–	1,855	–
	<u>793</u>	<u>3,320</u>	<u>1,792</u>

	As at 31 December		
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Due to related parties			
YongYiDa	252	103	44
XinYongYi	–	–	1,737
Tang Wing Fong Terry	1,154	56,691	12
	<u>1,406</u>	<u>56,794</u>	<u>1,793</u>

These balances are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate to their fair values. Except for the balances with Tang Wing Fong Terry, all the above balances were generated from trading activities.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

Financial assets	Loans and receivables HK\$'000	As at 31 December 2012		Total HK\$'000
		Financial assets at fair value through profit or loss HK\$'000	Available-for- sale financial assets	
Trade receivables	72,142	–	–	72,142
Bills receivable	15,036	–	–	15,036
Financial assets included in deposits and other receivables	19,126	–	–	19,126
Derivative financial instruments	–	1,245	–	1,245
Pledged deposits	24,912	–	–	24,912
Cash and cash equivalents	218,639	–	–	218,639
Available-for-sale investments	–	–	64,723	64,723
Due from related parties	793	–	–	793
	<u>350,648</u>	<u>1,245</u>	<u>64,723</u>	<u>416,616</u>

Group

Financial assets	Loans and receivables	As at 31 December 2013		Total
		Financial assets at fair value through profit or loss	Available-for- sale financial assets	
	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
Trade receivables	319,571	–	–	319,571
Bills receivable	11,309	–	–	11,309
Financial assets included in deposits and other receivables	12,154	–	–	12,154
Derivative financial instruments	–	366	–	366
Pledged deposits	37,187	–	–	37,187
Cash and cash equivalents	104,138	–	–	104,138
Available-for-sale investments	–	–	79,468	79,468
Due from related parties	3,320	–	–	3,320
	<u>487,679</u>	<u>366</u>	<u>79,468</u>	<u>567,513</u>

Group

Financial assets	Loans and receivables	As at 31 December 2014		Total
		Financial assets at fair value through profit or loss	Available-for- sale financial assets	
	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
Trade receivables	251,235	–	–	251,235
Bills receivable	18,148	–	–	18,148
Financial assets included in deposits and other receivables	32,246	–	–	32,246
Derivative financial instruments	–	–	–	–
Pledged deposits	27,001	–	–	27,001
Cash and cash equivalents	167,167	–	–	167,167
Available-for-sale investments	–	–	70,263	70,263
Due from related parties	1,792	–	–	1,792
	<u>497,589</u>	<u>–</u>	<u>70,263</u>	<u>567,852</u>

Group

Financial liabilities at amortised cost	As at 31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing bank loans	82,478	172,342	164,826
Trade payables	144,957	270,547	275,215
Bills payable	11,805	1,605	1,390
Financial liabilities included in other payables and accruals	44,224	47,590	55,531
Due to related parties	1,406	56,794	1,793
	<u>284,870</u>	<u>548,878</u>	<u>498,755</u>

Group

	As at 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	–	–	6,107

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At 31 December 2012, 2013 and 2014, the fair values of the Group's financial assets and financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade and bills receivables, derivative financial instruments, financial assets included in prepayments, deposits and other receivables, available-for-sale investments, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team 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 Group enters into derivative financial instruments with banks, financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:**Group**

	As at 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Derivative financial instruments	1,245	366	–
Available-for-sale investments	64,723	79,468	70,263
	<u>65,968</u>	<u>79,834</u>	<u>70,263</u>

Liabilities measured at fair value:**Group**

	As at 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Derivative financial instruments	–	–	6,107

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 in the Relevant Periods.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, amounts due from a related party and due to a non-controlling shareholder, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, bills receivable, other receivables, trade payables, bills payable and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales in currencies other than the units' functional currencies. Approximately 99.0%, 98.5% and 99.2% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 43.3%, 45.1% and 51.7% of inventory costs were denominated in the units' functional currencies for the years ended 31 December 2012, 2013 and 2014, respectively. The Group uses forward currency contracts to manage currency risk.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the US\$ exchange rate and RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
<u>As at 31 December 2012</u>			
If HK\$ weakens against US\$	5	1,412	1,179
If HK\$ strengthens against US\$	(5)	(1,412)	(1,179)
If HK\$ weakens against RMB	5	1,781	12,340
If HK\$ strengthens against RMB	(5)	(1,781)	(12,340)
<u>As at 31 December 2013</u>			
If HK\$ weakens against US\$	5	4,552	3,801
If HK\$ strengthens against US\$	(5)	(4,552)	(3,801)
If HK\$ weakens against RMB	5	1,621	11,400
If HK\$ strengthens against RMB	(5)	(1,621)	(11,400)
<u>As at 31 December 2014</u>			
If HK\$ weakens against US\$	5	2,639	2,204
If HK\$ strengthens against US\$	(5)	(2,639)	(2,204)
If HK\$ weakens against RMB	5	1,649	14,245
If HK\$ strengthens against RMB	(5)	(1,649)	(14,245)

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, and financial assets included in prepayments, deposits and other receivables arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had certain concentrations of credit risk as 82.0%, 97.4% and 77.8% of the Group's trade receivables were due from the Group's certain customers with the top five balances as at 31 December 2012, 2013 and 2014, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The maturity profile of financial liabilities as at 31 December 2012, 2013 and 2014, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2012			Total HK\$'000
	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year HK\$'000	
Interest-bearing bank loans	–	82,478	–	82,478
Trade payables	–	144,957	–	144,957
Bills payable	–	11,805	–	11,805
Due to related parties	–	1,406	–	1,406
Financial liabilities included in other payables and accruals	44,224	–	–	44,224
	<u>44,224</u>	<u>240,646</u>	<u>–</u>	<u>284,870</u>
	<u><u>44,224</u></u>	<u><u>240,646</u></u>	<u><u>–</u></u>	<u><u>284,870</u></u>
	As at 31 December 2013			
	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Interest-bearing bank loans	–	172,342	–	172,342
Trade payables	–	270,547	–	270,547
Bills payable	–	1,605	–	1,605
Due to related parties	–	56,794	–	56,794
Financial liabilities included in other payables and accruals	47,590	–	–	47,590
	<u>47,590</u>	<u>501,288</u>	<u>–</u>	<u>548,878</u>
	<u><u>47,590</u></u>	<u><u>501,288</u></u>	<u><u>–</u></u>	<u><u>548,878</u></u>
	As at 31 December 2014			
	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
Interest-bearing bank loans	–	164,826	–	164,826
Trade payables	–	275,215	–	275,215
Bills payable	–	1,390	–	1,390
Due to related parties	–	1,787	6	1,793
Financial liabilities included in other payables and accruals	55,531	–	–	55,531
Derivative financial instruments	–	6,107	–	6,107
	<u>55,531</u>	<u>449,325</u>	<u>6</u>	<u>504,862</u>
	<u><u>55,531</u></u>	<u><u>449,325</u></u>	<u><u>6</u></u>	<u><u>504,862</u></u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012, 2013 and 2014.

The Group monitors capital using a gearing ratio. Gearing ratio is defined as interest-bearing bank and other borrowings divided by total equity. The gearing ratios at the end of each of the Relevant Periods were as follows:

	2012	Group	2014
	<i>HK\$'000</i>	<i>2013</i>	<i>2014</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing bank and other borrowings	82,478	172,342	164,826
Total equity	343,857	241,685	219,081
	<u>24.0%</u>	<u>71.3%</u>	<u>75.2%</u>
Gearing ratio	<u>24.0%</u>	<u>71.3%</u>	<u>75.2%</u>

39. EVENTS AFTER THE REPORTING PERIOD

No material events after the reporting period should be disclosed.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2014.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
 Hong Kong

The information set out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, our reporting accountants, included in Appendix I to this prospectus and is included in this appendix for information only. The following unaudited pro forma financial information should be read in conjunction with our consolidated financial statements and related notes set out in the Accountants' Report included in Appendix I to this prospectus and the section headed "Financial Information" in this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to our consolidated net tangible assets attributable to owners of our Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 as if the Global Offering had taken place on that date. Because of its hypothetical nature, the following unaudited pro forma data may not give a true picture of our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 or as at any subsequent date.

	Consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 ⁽¹⁾ HK\$'000	Estimated net proceeds from the Global Offering ⁽²⁾ HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾⁽⁴⁾ HK\$
Based on an Offer Price of HK\$2.68 per Offer Share	212,766	479,153	691,919	0.86
Based on an Offer Price of HK\$3.38 per Offer Share	212,766	614,253	827,019	1.03

Notes:

- (1) Our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 are based on our audited consolidated net assets attributable to owners of our Company in the amount of HK\$219.1 million, as extracted from our consolidated financial statements in the Accountants' Report included in Appendix I to this prospectus, less intangible assets in the amount of HK\$6.3 million.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$2.68 and HK\$3.38 per Offer Share, respectively, after deduction of underwriting commissions and fees and other related expenses payable by us and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) No adjustment has been made to our consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 to reflect any of our trading results or other transactions entered into subsequent to 31 December 2014.
- (4) Our unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 800,000,000 Shares were in issue assuming that the Global Offering had been completed and the Over-allotment Option was not exercised but without taking into account any Shares which may be issued pursuant to the exercise of options under the Pre-IPO Share Option Scheme and the Share Option Scheme.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this prospectus.

Independent Reporting Accountant's Assurance Report on the Compilation of Pro Forma Financial Information

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Sky Light Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sky Light Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2014 and related notes as set out on pages II-1 of the Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 31 December 2014, on which an accountant’s report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountant’s responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Certified Public Accountants
Hong Kong

19 June 2015

Set out below is a summary of certain provisions of the Memorandum and Articles of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 December 2013 under the Companies Law. The Memorandum and Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 12 June 2015. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such

appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) *Alterations to Constitutional Documents*

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) *Alteration of Capital*

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of Rights of Existing Shares or Classes of Shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special Resolution – Majority Required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for Annual General Meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and Audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of Meetings and Business to be Conducted Thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of Shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer

by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to Purchase its Own Shares

The Company is empowered by the Companies Law and the Articles to purchase 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 any Designated Stock Exchange (as defined in the Articles).

(l) Power for Any Subsidiary of the Company to Own Shares in the Company and Financial Assistance to Purchase Shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and Other Methods of Distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not

be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on Shares and Forfeiture of Shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of Register of Members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for Meetings and Separate Class Meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class

meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the Minorities in Relation to Fraud or Oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on Liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable Members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription Rights Reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share Capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial Assistance to Purchase Shares of a Company or its Holding Company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of Shares and Warrants by a Company and its Subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and Distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of Minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and Auditing Requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 14 January 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to Directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of Corporate Records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding Up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory Acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection – 2. Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 December 2013.

We have been registered as a non-Hong Kong company under the Companies Ordinance and our principal place of business in Hong Kong is at 1009 Kwong Sang Hong Centre, 151-153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. In compliance with the requirements of the Hong Kong Companies Ordinance, Mr. Tang Wing Fong Terry has been appointed as our agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

2. Changes in share capital of our Company**(a) Increase in authorised share capital**

- (i) As at the date of incorporation of our Company on 18 December 2013, our authorised share capital was HK\$380,000 divided into 380,000 Shares having a par value of HK\$1.00 each.
- (ii) On 24 January 2014, each issued and unissued ordinary share of our Company of HK\$1.00 each was sub-divided into 100 Shares of HK\$0.01 each and following the sub-division of share capital of our Company, the number of shares of our Company was increased from 380,000 to 38,000,000.
- (iii) The authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of 962,000,000 new shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.
- (iv) Immediately following completion of the Capitalisation Issue and the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme and upon the exercise of the Over-allotment Option), the authorised share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, of which 800,000,000 Shares will be issued, fully paid or credited as fully paid, and 200,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in sections headed “Information about our Company – 3. Resolutions in writing of the Shareholders passed on 12 June 2015” and “Information about our Company – 4. Group reorganisation” in this Appendix of the prospectus, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the Shareholders passed on 12 June 2015

Written resolutions were passed by the Shareholders on 12 June 2015 pursuant to which, among other matters:

- (a) our Company approved and adopted the Articles conditional upon and with effect from the listing of the Shares on the Stock Exchange on the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of further 962,000,000 Shares;
- (c) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Global Offering and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 14A of this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorised to capitalise HK\$5,990,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 12 June 2015 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;
 - (iv) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, or under the Capitalisation Issue or the Global Offering or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, and (bb) the aggregate nominal amount of the

share capital of our Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in subparagraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above;
- (d) our Company approved the form and substance of each of the service agreements made between the executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with our Company.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalize our Group’s structure in preparation for the listing of the Shares on the Stock Exchange. For more details regarding the Reorganisation, please refer to section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there are no changes in the registered capital of our Company’s subsidiaries during the two years preceding the date of this prospectus.

6. Further information about our Group's PRC establishment

Our Group has interest in the registered capital of various PRC subsidiaries. A summary of the corporate information of such PRC subsidiaries as at the Latest Practicable Date is set out as follows:

(a) Sky Light Shenzhen

Name of the enterprise:	天彩電子(深圳)有限公司 (Sky Light Electronic (SZ) Limited)
Registered address:	Block 1, 5 and 6, Jinbi Industrial Zone, Huangtian Community, Xixiang Street, Bao'an District, Shenzhen, Guangdong, the PRC
Date of its establishment:	23 January 2008
Economic nature:	Limited liability company (Wholly-owned by a corporation in Taiwan, Hong Kong or Macau)
Registered owner:	Sky Light HK
Registered capital:	HK\$68,000,000
Attributable interest to our Group:	100%
Term of operation:	23 January 2008 to 23 January 2028

(b) Sky Light Technology (HY)

Name of the enterprise:	河源市新天彩科技有限公司 (Sky Light Technology (HY) Limited)
Registered address:	Xinyongyi Science Park, Ke Shi Er Road, Hi-tech Development Zone, Heyuan, Guangdong, the PRC
Date of its establishment:	2 March 2010
Economic nature:	Limited liability company
Registered owner:	Sky Light Shenzhen
Registered capital:	RMB20,000,000
Attributable interest to our Group:	100%
Term of operation:	2 March 2010 to 1 March 2030

(c) Sky Light Software

Name of the enterprise:	深圳天彩智通軟件有限公司 (Sky Light Software Limited)
Registered address:	210, 2/F, Zone B, Shennan Garden, 11 Kexing Lu, Nanshan District, Shenzhen, Guangdong, the PRC
Date of its establishment:	25 March 2013
Economic nature:	Limited liability company
Registered owner:	Sky Light Shenzhen
Registered capital:	RMB5,000,000
Attributable interest to our Group:	100%
Term of operation:	Long term

(d) Shenzhen Skypix Technology*

Name of the enterprise:	深圳市唯彩偉業科技有限公司 (Shenzhen Skypix Technology Limited)
Registered address:	3/F, Block 1, Jinbi Industrial Zone, Huangtian Community, Xixiang Street, Bao'an District, Shenzhen, the PRC
Date of its establishment:	31 May 2010
Economic nature:	Limited liability company
Registered owner:	Sky Light Electronic (SZ) Limited
Registered capital:	RMB20,000,000
Attributable interest to our Group:	100%
Term of operation:	31 May 2010 to 31 May 2030

* Shenzhen Skypix Technology was deregistered on 29 January 2015.

7. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by the Shareholders on 12 June 2015, the Repurchase Mandate was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC of Hong Kong and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Listing, would result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

8. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share purchase agreement dated 30 July 2013 entered into between Sky Light HK, Yongweida L.L.P., Mr. Tang Wing Fong Terry, Ms. Tang Kam Sau, Sure Top, Chuangligao, Tianhui Jianye and Tianjin Xingye, pursuant to which Sky Light HK agreed to purchase and Yongweida L.L.P., Mr. Tang Wing Fong Terry, Ms. Tang Kam Sau, Sure Top, Chuangligao, Tianhui Jianye and Tianjin Xingye agreed to sell their respective interests in Sky Light Shenzhen for a total consideration of a HK dollar equivalent amount of RMB51,001,260.25, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus;
- (b) a sale and purchase agreement and a supplemental deed both dated 24 January 2014 and entered into between our Company and Mr. Tang Wing Fong Terry, pursuant to which, our Company issued and allotted to Fortune Six (as nominee of Mr. Tang Wing Fong Terry) 696,096 Shares in our Company in consideration of (i) Mr. Tang Wing Fong Terry transferring to our Company 22,000,000 shares in Sky Light HK; and (ii) a payment by Mr. Tang Wing Fong Terry of a cash consideration of HK\$11,386,078.71 to the Company, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus;
- (c) a subscription agreement dated 27 June 2014 entered into between Sure Top, Fortune Sky, Uphigh Global, Yongweida and our Company, pursuant to which Sure Top, Fortune Sky, Uphigh Global, Yongweida agreed to subscribe and our Company agreed to issue and allot an aggregate of 303,804 Shares for a consideration of approximately HK\$48.0 million;

- (d) a deed of undertakings dated 31 July 2014 entered into among Fortune Sky Shareholders, Sure Top Shareholders, Sure Top, Fortune Sky and our Company, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus;
- (e) a deed of undertakings dated 18 March 2015 entered into among the Fortune Sky Shareholders, Mr. Tang Wing Fong Terry, Wing Lung Bank (Trustee) Limited, Brilliant Sky, Fortune Sky and our Company, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus;
- (f) the Deed of Non-competition;
- (g) the Deed of Indemnity; and
- (h) the Hong Kong Underwriting Agreement.

9. Intellectual property rights of our Group

(a) Patents

As at the Latest Practicable Date, our Group was the registered proprietor of the following patents which, in the opinion of our Directors, are material to our business:

No.	Patent	Patent Number	Type	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
1	Paper feed type scanning device for realising positioning method of scanned file boundaries (一種實現掃描邊界定位方法的饋紙型掃描設備)	200920262369.4	Utility Model	Sky Light Shenzhen	PRC	30 December 2009	29 December 2019
2	Back-plate-type scanning device for realising scanning boundary alignment method (一種實現掃描邊界定位方法的背板式掃描設備)	200920262370.7	Utility Model	Sky Light Shenzhen	PRC	30 December 2009	29 December 2019
3	Synchronous displacement detection module for scanner (一種掃描器同步位移檢測模組)	201020613539.1	Utility Model	Sky Light Shenzhen	PRC	18 November 2010	17 November 2020
4	Portable scanner (可攜式掃描器)	201020690156.4	Utility Model	Sky Light Shenzhen	PRC	30 December 2010	29 December 2020
5	Handheld portable scanner	US8526067B2	Invention	Sky Light Shenzhen	US	12 April 2011	11 April 2031
6	Handheld portable scanner (掌上型便攜掃描器)	201120220054.0	Utility Model	Sky Light Shenzhen	PRC	27 June 2011	26 June 2021
7	Detachable scanner (可分離式掃描器)	201220413487.2	Utility Model	Sky Light Shenzhen	PRC	20 August 2012	19 August 2022
8	An isolated phone storage device (一種分離式手機存儲裝置)	201220571058.8	Utility Model	Sky Light Shenzhen	PRC	1 November 2012	31 October 2022
9	Camera support (相機支架)	201220698264.5	Utility Model	Sky Light Shenzhen	PRC	17 December 2012	16 December 2022
10	Scanner (TSN470) (掃描器 (TSN470))	201330059694.2	Design	Sky Light Shenzhen	PRC	11 March 2013	10 March 2023
11	Digital Camera (SV5AW-AN) (數碼攝像機 (SV5AW-AN))	201330060302.4	Design	Sky Light Shenzhen	PRC	12 March 2013	11 March 2023

No.	Patent	Patent Number	Type	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
12	Digital Camera (SV5BW-BN) (數碼攝像機 (SV5BW-BN))	201330060357.5	Design	Sky Light Shenzhen	PRC	12 March 2013	11 March 2023
13	Driving monitor (行車記錄儀)	201330185953.6	Design	Sky Light Shenzhen	PRC	17 May 2013	16 May 2023
14	Digital Camera (SV5EN) (數碼攝像機 (SV5EN))	201330186444.5	Design	Sky Light Shenzhen	PRC	17 May 2013	16 May 2023
15	Digital Camera (SV5DN) (數碼攝像機 (SV5DN))	201330186684.5	Design	Sky Light Shenzhen	PRC	17 May 2013	16 May 2023
16	An interface protection circuit (一種接口保護電路)	201320403607.5	Utility Model	Sky Light Shenzhen	PRC	8 July 2013	7 July 2023
17	Scanner (TSN480) (掃描器(TSN480))	201330320257.1	Design	Sky Light Shenzhen	PRC	10 July 2013	9 July 2023
18	Charge current adjust and control circuit (充電電流調節控制電路)	201320487644.9	Utility Model	Sky Light Shenzhen	PRC	9 August 2013	8 August 2023
19	Portable dustproof scanner (可攜式防塵掃描器)	201320499938.3	Utility Model	Sky Light Shenzhen	PRC	15 August 2013	14 August 2023
20	Tachograph (MPC03G) (行車記錄儀 (MPC03G))	201330396294.0	Design	Sky Light Shenzhen	PRC	19 August 2013	18 August 2023
21	Sports camera (運動型攝像機)	201320539472.5	Utility Model	Sky Light Shenzhen	PRC	30 August 2013	29 August 2023
22	Network Camera (HPC01) (網路攝像機 (HPC01))	201330424366.8	Design	Sky Light Shenzhen	PRC	3 September 2013	2 September 2023
23	A wireless communication device (一種無線通訊裝置)	201320558537.0	Utility Model	Sky Light Technology (HY)	PRC	9 September 2013	8 September 2023
24	Infrared network camera (紅外網路攝像機)	201320682235.4	Utility Model	Sky Light Shenzhen	PRC	30 October 2013	29 October 2023
25	Folding camera structure (折疊攝像頭結構)	201320764695.1	Utility Model	Sky Light Shenzhen	PRC	27 November 2013	26 November 2023
26	Head-mounted camera support (SVA57) (頭戴式相機支架 (SVA57))	201430003460.0	Design	Sky Light Technology (HY)	PRC	7 January 2014	6 January 2024
27	Camera support (SVA58) (相機支架 (SVA58))	201430003471.9	Design	Sky Light Technology (HY)	PRC	7 January 2014	6 January 2024
28	Chest mount camera support (SVA59) (胸帶式相機支架(SVA59))	201430003459.8	Design	Sky Light Technology (HY)	PRC	7 January 2014	6 January 2024
29	Spring feeding device (彈簧送料裝置)	201420079369.1	Utility Model	Sky Light Shenzhen	PRC	24 February 2014	23 February 2024
30	Head-mounted camera support (頭戴式相機支架)	201420079113.0	Utility Model	Sky Light Technology (HY)	PRC	24 February 2014	23 February 2024
31	Driving monitor (行車記錄儀)	201420081742.7	Utility Model	Sky Light Technology (HY)	PRC	25 February 2014	24 February 2024
32	Heart rate monitor (SPW02) (心率監測儀(SPW02))	201430071808.X	Design	Sky Light Shenzhen	PRC	31 March 2014	30 March 2024
33	A driving recorder (一種行車記錄儀)	201420164014.2	Utility Model	Sky Light Shenzhen	PRC	4 April 2014	3 April 2024

No.	Patent	Patent Number	Type	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
34	A temperature and humidity measuring device (一種溫濕度測量裝置)	201420353041.4	Utility Model	Sky Light Shenzhen	PRC	27 June 2014	26 June 2024
35	A Heart rate monitor (一種心率監測儀)	201420353015.1	Utility Model	Sky Light Shenzhen	PRC	27 June 2014	26 June 2024
36	A swimming recorder (一種游泳記錄器)	201420569690.8	Utility Model	Sky Light Shenzhen	PRC	29 September 2014	28 September 2024

As at the Latest Practicable Date, our Group had applied for the registration of the following patents which, in opinion of our Directors, are material to our business:

Patent	Application Number	Type	Name of Applicant	Place of Application	Date of Application
An intelligent digital zooming method (一種智慧數碼變焦方法)	201110174844.4	Invention	Sky Light Shenzhen	PRC	27 June 2011
A method of synchronization of network information (一種網路資訊同步的方法)	201110348247.9	Invention	Sky Light Shenzhen	PRC	7 November 2011
Detachable scanner (可分離式掃描器)	201210296689.8	Invention	Sky Light Shenzhen	PRC	20 August 2012
An instant transmission method and apparatus of camera video streaming (一種相機影音流即時傳輸方法及裝置)	201310054613.9	Invention	Sky Light Shenzhen	PRC	20 February 2013
Method of sports camera obtaining and displaying sport information (運動攝像機獲取、顯示運動資料的方法)	201310530108.7	Invention	Sky Light Shenzhen	PRC	30 October 2013
SPORTS CAMERA	US14/073894	Utility Model	Sky Light Shenzhen	US	7 November 2013
A method of transmitting digital video streams (一種數位視訊流的傳輸方法)	201310733501.6	Invention	Sky Light Shenzhen	PRC	27 December 2013

<u>Patent</u>	<u>Application Number</u>	<u>Type</u>	<u>Name of Applicant</u>	<u>Place of Application</u>	<u>Date of Application</u>
A network camera and its control method (一種網路攝像機及其控制方法)	201410160943.0	Invention	Sky Light Shenzhen	PRC	21 April 2014
Driving recorder (MPC01) (行車記錄儀 (MPC01))	201430205641.1	Design	Sky Light Shenzhen	PRC	26 June 2014
An automatic testing system and method (一種自動測試系統及方法)	201410361442.9	Invention	Sky Light Shenzhen	PRC	24 July 2014
A dimming method of infrared camera (一種紅外攝像機的調光方法)	201410452075.3	Invention	Sky Light Shenzhen	PRC	5 September 2014
Vehicle tracking device, vehicle tracking system and its vehicle tracking method (尋車裝置、尋車系統及其尋車方法)	201410468371.2	Invention	Sky Light Shenzhen	PRC	15 September 2014
Swimming recorder (SPW01C) (游泳記錄器 (SPW01C))	201430346730.8	Design	Sky Light Shenzhen	PRC	18 September 2014
Sleep monitoring device and its monitoring methods (睡眠監測裝置及其監測方法)	201410505254.9	Invention	Sky Light Shenzhen	PRC	26 September 2014
Data transmission method and device based on audio interface (基於音訊介面的資料傳輸方法及裝置)	201410745117.2	Invention	Sky Light Shenzhen	PRC	8 December 2014
Device, system and method for finding a parked vehicle	US14/568196	Utility Model	He Zupei ⁽¹⁾	US	12 December 2014
Device and method for sleep monitoring	US14/568166	Utility Model	He Zupei ⁽¹⁾	US	12 December 2014

<u>Patent</u>	<u>Application Number</u>	<u>Type</u>	<u>Name of Applicant</u>	<u>Place of Application</u>	<u>Date of Application</u>
A high-speed digital communication method based on mobile phone audio signal (一種基於手機音訊信號的高速數位通信方法)	201410788604.7	Invention	Sky Light Shenzhen	PRC	17 December 2014
A network camera (一種網路攝像機)	201420832983.0	Utility Model	Sky Light Shenzhen	PRC	24 December 2014

Note: He Zupei, an employee of Sky Light Shenzhen, who applied for the registration of the patents on behalf of Sky Light Shenzhen.

(b) Software copyrights

As at the Latest Practicable Date, we are the registered owner of the following software copyrights which, in the opinion of our Directors, are material to our business:

<u>Software</u>	<u>Place of Registration</u>	<u>Name of Registered Proprietor</u>	<u>Registration Certificate Number</u>	<u>Date of Registration</u>
Sky Light TDC5H2 control software V1.0 (天彩 TDC5H2 控制軟體 V1.0)	PRC	Sky Light Shenzhen	2009SR051299	4 November 2009
Sky Light TDC9D2 control software V1.0 (天彩TDC9D2控制軟體V1.0)	PRC	Sky Light Shenzhen	2009SR051300	4 November 2009
Sky Light TDV110 control software V1.0 (天彩TDV110控制軟體V1.0)	PRC	Sky Light Shenzhen	2009SR051304	4 November 2009
Sky Light TDC5F2 control software V1.0 (天彩TDC5F2控制軟體 V1.0)	PRC	Sky Light Shenzhen	2009SR061224	31 December 2009
Sky Light TVR100N control software V1.0 (天彩TVR100N控制軟體 V1.0)	PRC	Sky Light Shenzhen	2009SR051305	4 November 2009
Sky Light TDC9E2 control software V1.0 (天彩TDC9E2控制軟體 V1.0)	PRC	Sky Light Shenzhen	2009SR061222	31 December 2009

<u>Software</u>	<u>Place of Registration</u>	<u>Name of Registered Proprietor</u>	<u>Registration Certificate Number</u>	<u>Date of Registration</u>
WHDV5A1 high-definition digital camera control system (WHDV5A1 高清數碼攝像機控制系統)	PRC	Sky Light Shenzhen	2009SR115979	29 November 2012
WHDV5BN high-definition digital camera control system V1.19 (WHDV5BN 高清數碼攝像機控制系統V1.19)	PRC	Sky Light Shenzhen	2012SR116320	29 November 2012
TSN44WF portable scanner control system V1.0 (TSN44WF 可攜式掃描器控制系統V1.0)	PRC	Sky Light Shenzhen	2012SR116496	29 November 2012
TSN450 portable scanner control system V1.0 (TSN450可攜式掃描器控制系統V1.0)	PRC	Sky Light Shenzhen	2012SR133541	25 December 2012
TSNA02 portable scanner control system V1.0 (TSNA02可攜式掃描器控制系統V1.0)	PRC	Sky Light Shenzhen	2012SR133543	25 December 2012
New Sky Light Android APP control system software v1.4 (新天彩 Android APP控制系統軟件v1.4)	PRC	Sky Light Technology (HY)	2013SR060938	24 June 2013
New Sky Light SV5AW high-definition digital camera main control system software V1.3.00 (新天彩SV5AW 高清數碼攝像機主控制系統軟件V1.3.00)	PRC	Sky Light Technology (HY)	2013SR060960	24 June 2013

<u>Software</u>	<u>Place of Registration</u>	<u>Name of Registered Proprietor</u>	<u>Registration Certificate Number</u>	<u>Date of Registration</u>
New Sky Light SV5DN high-definition digital camera main control system software V1.0 (新天彩SV5DN 高清數碼攝像機 控制系統軟件 V1.0)	PRC	Sky Light Technology (HY)	2013SR060934	24 June 2013
New Sky Light SVA70 WIFI control system software V2.33 (新天彩SVA70 WIFI控制系統軟件 V2.33)	PRC	Sky Light Technology (HY)	2013SR061089	24 June 2013
New Sky Light TSN470 portable scanner control system V1.0 (新天彩TSN470 便攜式掃描儀控制系統軟件V1.0)	PRC	Sky Light Technology (HY)	2013SR061060	24 June 2013
New Sky Light high-definition digital camera Action+File application software V1.0.00 (新天彩高清數碼攝像機 Action+File應用軟件V1.0.00)	PRC	Sky Light Technology (HY)	2013SR061086	24 June 2013
New Sky Light ISO APP control system software V3.50 (新天彩IOS APP 控制系統軟件 V3.50)	PRC	Sky Light Technology (HY)	2013SR063040	26 June 2013

<u>Software</u>	<u>Place of Registration</u>	<u>Name of Registered Proprietor</u>	<u>Registration Certificate Number</u>	<u>Date of Registration</u>
New Sky Light high-definition digital camera Action+Remote application software V1.0.00 (新天彩高清數碼攝像機 Action+Remote 應用軟件 V1.0.00)	PRC	Sky Light Technology (HY)	2013SR063042	26 June 2013
Skylight Zhitong portable scanner iOS Scan+ application software (天彩智通便攜掃描器iOS Scan+ 應用軟體)	PRC	Sky Light Software	2013SR107083	10 October 2013
Sky Light portable scanner scan direct software V1.1.23 (天彩便攜式掃描儀 scan direct 軟件V1.1.22)	PRC	Sky Light Shenzhen	2013SR148263	17 December 2013
Sky Light Zhitong Motor+ application software V1.1.06 (天彩智通 Motor+ 應用軟體 V1.1.06)	PRC	Sky Light Software	2014SR032405	20 March 2014
Sky Light Zhitong MPC01G driving monitor main control system software V1.0.02.000 (天彩智通 MPC01G 行車記錄儀主控制系統 軟體 V1.0.02.000)	PRC	Sky Light Software	2014SR034657	27 March 2014

<u>Software</u>	<u>Place of Registration</u>	<u>Name of Registered Proprietor</u>	<u>Registration Certificate Number</u>	<u>Date of Registration</u>
Sky Light Zhitong TSN47W scanner main control system software V1.0.00.019 (天彩智通 TSN47W 掃描器 主控制系統軟體 V1.0.00.019)	PRC	Sky Light Software	2014SR046993	22 April 2014
Sky Light Zhitong HEC01G driving monitor main control system software V1.0.14.000 (天彩智通 HEC01G行車記 錄儀主控制系統 軟件 V1.0.14.000)	PRC	Sky Light Software	2014SR047753	23 April 2014
Sky Light Zhitong TSN460 scanner main control system software V1.0.00.012 (天彩智通 TSN460掃描器 主控制系統軟件 V1.0.00.012)	PRC	Sky Light Software	2014SR048739	24 April 2014
Sky Light Zhitong portable scanner Android Scan+ application software V3.0.00 (天彩智通便攜掃 描器Android Scan+應用軟體 V3.0.00)	PRC	Sky Light Software	2014SR069385	30 May 2014
Sky Light Zhitong SP5AN digital camera main control system software V1.0.00.023 (天彩智通 SP5AN數碼攝像 機主控制系統軟 體V1.0.00.023)	PRC	Sky Light Software	2014SR069391	30 May 2014

<u>Software</u>	<u>Place of Registration</u>	<u>Name of Registered Proprietor</u>	<u>Registration Certificate Number</u>	<u>Date of Registration</u>
Sky Light Zhitong TSN47W WIFI control system software V1.0.02.039 (天彩智通 TSN47W WIFI 控制系統軟體 V1.0.02.039)	PRC	Sky Light Software	2014SR070445	3 June 2014
Sky Light Zhitong CNC01 network camera main control software system V2.0.00.0010 (天彩智通 CNC01網路攝像 機主控制軟體系 統V2.0.00.0010)	PRC	Sky Light Software	2014SR124866	21 August 2014
Sky Light Zhitong HPC01 network camera main control software system V1.0.00.026 (天彩智通 HPC01網路攝像 機主控制系統軟 體V1.0.00.026)	PRC	Sky Light Software	2014SR161011	27 October 2014
Sky Light Zhitong driving monitor function testing software V1.0.00.007 (天彩智通行車記 錄儀功能測試軟 體V1.0.00.007)	PRC	Sky Light Software	2014SR173770	17 November 2014
Sky Light Zhitong TSN48W scanner main control system software V1.0.00.019 (天彩智通 TSN48W掃描器 主控制系統軟體 V1.0.00.019)	PRC	Sky Light Software	2014SR174379	17 November 2014

<u>Software</u>	<u>Place of Registration</u>	<u>Name of Registered Proprietor</u>	<u>Registration Certificate Number</u>	<u>Date of Registration</u>
Sky Light Zhitong network camera function testing software V1.0.00.030 (天彩智通網路攝像機功能測試軟體V1.0.00.030)	PRC	Sky Light Software	2014SR174480	17 November 2014
Sky Light Zhitong Neptune swimming recorder main control system software V1.0.00.010 (天彩智通 Neptune 游泳記錄器主控制系統軟體 V1.0.00.010)	PRC	Sky Light Software	2014SR174515	17 November 2014
Sky Light Zhitong audio interface communication software V1.0.01.002 (天彩智通音訊介面通訊軟體 V1.0.01.002)	PRC	Sky Light Software	2014SR178864	22 November 2014
Sky Light Zhitong DTMF communication Android APP application software V1.0.00.001 (天彩智通DTMF通訊 Android APP 應用軟體 V1.0.00.001)	PRC	Sky Light Software	2014SR184244	29 November 2014
Sky Light Zhitong IR-LED control software V2.1.00.003 (天彩智通 IR-LED控制軟體 V2.1.00.003)	PRC	Sky Light Software	2014SR184250	29 November 2014

<u>Software</u>	<u>Place of Registration</u>	<u>Name of Registered Proprietor</u>	<u>Registration Certificate Number</u>	<u>Date of Registration</u>
Sky Light Zhitong TSN480 scanner main control system software V1.0.01.016 (天彩智通 TSN480掃描器主控制系統軟體 V1.0.01.016)	PRC	Sky Light Software	2014SR184470	29 November 2014
Sky Light Zhitong MPC03 driving monitor main control system software V4.1.00.001 (天彩智通 MPC03 行車記錄儀主控制系統軟體 V4.1.00.001)	PRC	Sky Light Software	2014SR185505	1 December 2014
Sky Light Zhitong NGC network camera main control system software (天彩智通NGC 網路攝像機主控制系統軟體)	PRC	Sky Light Software	2014SR189305	6 December 2014
Sky Light Zhitong Bluetooth BLE communication Android APP application software (天彩智通藍牙 BLE 通訊 Android APP應用軟體)	PRC	Sky Light Software	2014SR189302	6 December 2014
Sky Light Zhitong DTMF communication software V2.1.00.006 (天彩智通DTMF 通訊軟體 V2.1.00.006)	PRC	Sky Light Software	2014SR205008	22 December 2014

<u>Software</u>	<u>Place of Registration</u>	<u>Name of Registered Proprietor</u>	<u>Registration Certificate Number</u>	<u>Date of Registration</u>
Sky Light Zhitong MPC03G driving monitor main control system software (天彩智通 MPC03G行車記錄儀主控制系統軟件)	PRC	Sky Light Software	2015SR018875	31 January 2015

(c) *Trademarks*

As at the Latest Practicable Date, we are the registered owner of the following trademarks which, in the opinion of our Directors, are material to our business:


<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration number</u>	<u>Duration of Validity</u>
1	SKYPIX	Designations under the Madrid Protocol	9	1021003	12 November 2009 to 12 November 2019
2	SKYPIX	U.S.	9	3828552	3 August 2010 to 2 August 2020
3	唯彩	PRC	9	8021303	14 March 2011 to 13 March 2021
4	天影乐	PRC	9	8021294	14 March 2011 to 13 March 2021
5	SKYPIX	PRC	9	7194145	7 March 2012 to 6 March 2022
6	SKYPIX	India	9	2434246	28 November 2012 to 28 November 2022
7	SKYPIX	Hong Kong	9	302381184	18 September 2012 to 17 September 2022
8	SKYPIX	Taiwan	9	1601452	1 October 2013 to 30 September 2023
9	SKYPIX	Designations under the Madrid Protocol	9	1196460	21 October 2013 to 21 October 2023

<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration number</u>	<u>Duration of Validity</u>
10	SKYPIX	Canada	9	TMA867175	11 December 2013 to 10 December 2028
11	SKYPIX	Australia	9	1613761	17 July 2014 to 17 July 2024

Notes:

- (1) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; scanners(data processing equipment); portable telephones; video recorders; camcorders; cameras (photography); projection apparatus; telescopes; domestic remote controller; battery charges. The trademark has been registered in, through designations under the Madrid Protocol: Europe Union and US.
- (2) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; data processing equipment, namely, scanners; portable telephones; video recorders; camcorders; cameras for photography; projection apparatus, namely, projection screens, movie projector; telescopes; domestic remote controller for televisions; battery chargers.
- (3) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; scanners (data processing equipment); portable telephones; video recorders; camcorders; cameras (photography); projection apparatus; telescopes; domestic remote controller; battery charges.
- (4) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; scanners (data processing equipment); portable telephones; video recorders; camcorders; cameras (photography); projection apparatus; telescopes; domestic remote controller; battery charges.
- (5) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; scanners (data processing equipment); portable telephones; video recorders; camcorders; cameras (photography); projection apparatus; telescopes; domestic remote controller; battery charges.
- (6) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; scanners (data processing equipment); telephones (portable); video recorders; camcorders; cameras (photography); projection apparatus; telescopes; home used remote controller; battery charges.
- (7) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; scanners (data processing equipment); portable telephones; video recorders; camcorders; cameras (photography); projection apparatus; telescopes; domestic remote controller; battery charges.
- (8) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; portable telephones; scanners (data processing equipment); video recorders; camcorders; cameras (photography).
- (9) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; portable telephones; scanners (data processing equipment); video recorders; camcorders; cameras (photography); projection apparatus; telescopes; remote control apparatus for domestic use; battery charges. The trademark has been registered in, through designations under the Madrid Protocol: Australia, Israel, Japan, Philippines, Korea, Singapore, Turkey, Egypt, Islamic Republic of Iran, Russian Federation, Vietnam.
- (10) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; scanners (data processing equipment); portable telephones; video recorders; camcorders; cameras (photography); projection apparatus; telescopes; domestic remote controller; battery charges.
- (11) The specific goods under class 9 in respect of which the trademark was registered are computer peripheral devices; scanners (data processing equipment); portable telephones; video recorders; camcorders; cameras (photography); projection apparatus; telescopes; domestic remote controller; battery charges.

As of the Latest Practicable Date, our Group had applied for the registration of the following trademark which, in opinion of our Directors, are material to our business:

No.	Trademark	Place of Registration	Class	Application number	Date of Application	Name of Applicant
1		Hong Kong	9	303316266	2 March 2015	Sky Light Shenzhen

Note: The specific goods under class 9 in respect of which the trademark was registered are cameras; camera control apparatus; cinematographic cameras; camera lenses; electric flash units for cameras; accessories and parts for cameras; camera cases; camera slings and straps.

(b) Domain Names

As at the Latest Practicable Date, we are the registered owner of the following domain names which, in the opinion of our Directors, are material to our business:

Domain Name	Date of Registration	Date of expiry
SKY-LIGHT.COM.HK	26 July 2000	1 September 2017
SKYPIX.COM.HK	7 February 2009	23 February 2017
SKYPIX.CN	29 December 2010	29 December 2015
SKY-LIGHT.COM.CN	6 May 2011	6 May 2017

10. Connected transactions and related party transactions

Save as disclosed in the sections headed “Business”, “Continuing Connected Transaction” and “Relationship with Controlling Shareholders” and in note 36 to the Accountant’s Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

11. Directors

(a) Disclosure of interests of the Directors

- (i) Each of Mr. Tang Wing Fong Terry, Mr. Wu Yongmou, Mr. Lu Yongbin and Ms. Tang Kam Sau is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph 8 of this Appendix.
- (ii) Save as disclosed in this prospectus, none of the Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors’ service contracts

Executive Directors

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date until terminated by not less than three months’ notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

Name	Approximate annual salary (HK\$ million)
Tang Wing Fong Terry	0.8
Wu Yongmou	0.9
Lu Yongbin	0.4

Non-executive Director

The non-executive Director has been appointed for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointment is subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Mr. Huang Erwin Steve is entitled to a director's fee of HK\$240,000 per annum. Save for director's fee, the non-executive Director is not expected to receive any other remuneration for holding his office as a non-executive Director.

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK\$240,000 per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of the three years ended 31 December 2012, 2013 and 2014 were approximately HK\$2.1 million, HK\$2.6 million and HK\$2.8 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by the Directors (including the non-executive Director and the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2015 are expected to be approximately HK\$3.4 million.
- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 December 2012, 2013 and 2014 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for the three years ended 31 December 2012, 2013 and 2014.

(d) Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Our Company

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number and class of securities⁽¹⁾</u>	<u>Approximate percentage of interest in our Company</u>
Tang Wing Fong Terry ⁽²⁾	Founder of a discretionary trust, beneficial interest	422,931,600 Shares (L)	52.87%
Wu Yongmou ⁽³⁾	Founder of a discretionary trust	62,931,000 Shares (L)	7.87%
Tang Kam Sau ⁽⁴⁾	Interest in a controlled corporation	39,192,000 Shares (L)	4.90%
Lu Yongbin ⁽⁵⁾	Beneficial interest	3,595,800 Shares (L)	0.45%

Notes:

- (1) The letter “L” denotes the Directors’ long position in the shares of our Company or the relevant associated corporation.
- (2) The disclosed interest represents (i) the interest in our Company held by Fortune Six, which is wholly-owned by Wing Lung Bank (Trustee) Limited as trustee for the Tang’s Family Trust through Autopex Limited and Best One (as nominees for Wing Lung Bank (Trustee) Limited) and (ii) his beneficial interest in 5,214,000 Shares held by Fortune Sky by virtue of Mr. Tang being a beneficiary of 5,214,000 Shares in the Sky Light Employees’ Trust.
- (3) The disclosed interest represents the interest in our Company held by Yongweida, which is wholly owned by Wing Lung Bank (Trustee) Limited as trustee of the Wu’s Family Trust through Autopex Limited and Yongdingda (as nominees for Wing Lung Bank (Trustee) Limited). Mr. Wu Yongmou is deemed to be interested in Yongweida’s interest in our Company by virtue of the SFO.
- (4) Ms. Tang Kam Sau is the sole shareholder of Uphigh Global, which holds 39,192,000 Shares. By virtue of the SFO, she is deemed to be interested in Uphigh Global’s interest in our Company by virtue of the SFO.
- (5) The disclosed interest represents Mr. Lu Yongbin’s beneficial interest in 3,595,800 Shares held by Fortune Sky by virtue of Mr. Lu Yongbin being a beneficiary of 3,595,800 Shares in the Sky Light Employees’ Trust.

12. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following the completion of the Global Offering (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the section headed “Further Information about Directors and Shareholders – 11. Directors” above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Shareholder</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Tang Wing Fong Terry ⁽²⁾	Founder of a discretionary trust, beneficial interest	422,931,600 Shares (L)	52.87%

Notes:

- (1) The letter “L” denotes a person’s long position in our Shares or shares of the relevant Group member.
- (2) The disclosed interest represents (i) the interest in our Company held by Fortune Six, which is wholly-owned by Wing Lung Bank (Trustee) Limited as trustee for the Tang’s Family Trust through Autopex Limited and Best One (as nominees for Wing Lung Bank (Trustee) Limited) and (ii) his beneficial interest in 5,214,000 Shares held by Fortune Sky by virtue of Mr. Tang being a beneficiary of 5,214,000 Shares in the Sky Light Employees’ Trust.

13. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

- (c) none of the Directors nor any of the parties listed in the paragraph 22 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors nor any of the parties listed in the paragraph 22 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 22 below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

14. Share Option Schemes

A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the shareholders of our Company passed on 12 June 2015.

(a) *Purpose*

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

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our 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 our Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (the “**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
 - (aa) contribution to the development and performance of our Group;
 - (bb) quality of work performed for our Group;
 - (cc) initiative and commitment in performing his/her duties; and
 - (dd) length of service or contribution to our Group.

(c) *Acceptance of an offer of options*

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 our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) *Maximum number of Shares*

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 our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 80,000,000 Shares (the “**Scheme Limit**”), 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 our 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, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the “**Cancelled Shares**”) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders’ approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:
 - (aa) the Eligible Participant’s name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
 - (gg) the date of the notice given by the grantee in respect of the exercise of the option;
 - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

- (ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules);

and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

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. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme by the shareholders of our Company (the "**Adoption Date**"). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company no later than two Business Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n) or (o);
- (iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 80,000,000 Shares in total.

B. Pre-IPO Share Option Scheme

(a) *Introduction*

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain of our employees, executives and officers made or may have made to the growth of our Group and/or the listing of Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme were approved by resolutions in writing of all our shareholders passed on 29 May 2015 and are substantially the same as the terms of our Share Option Scheme except for the following principal terms:

- (a) the exercise price per Share shall not be less than the par value of such Share. Subject to the preceding sentence, the Board shall determine the exercise price at its sole discretion;
- (b) the total number of Shares subject to the Pre-IPO Share Option Scheme is 21,024,000 Shares, representing approximately 2.63% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Global Offering and taking no account of any shares which may be allotted and issued pursuant to the exercise of the Over-allotment options and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme;
- (c) the eligible participant under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of our Company or any of the subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to our Company and/or any of the subsidiaries;
- (d) the conditions which the Board may in its absolute discretion to consider (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as it may think fit; and
- (e) except for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the listing of the Shares on the Stock Exchange.

HK\$1.00 was payable by each Grantee as consideration for grant of the options. Save as administration costs and expenses, our Company is not required to incur other costs or expenses in respect of the Pre-IPO Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

(b) Outstanding options

As at the date of this prospectus, options to subscribe for an aggregate of 21,024,000 Shares have been conditionally granted by our Company under the Pre-IPO Share Option Scheme. A total of 43 eligible participants have been granted options under the Pre-IPO Share Option Scheme.

Below is a list of grantees under the Pre-IPO Share Option Scheme:

<u>Grantee and position</u>	<u>Address</u>	<u>Exercise price</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of the options</u>
Other employees of our Group (total 42 employees)				
Wong Man (Chief operation consultant)	Flat F, 13 Fl., Tower 2, Tuen Mun Town Plaza, No. 3 Tuen Lung Street, Tuen Mun, New Territories, Hong Kong	0.83	3,600,000	0.45%
Liu Jie (Special assistant to general manager)	11G, No. 96 Building, Taoyuan Village, Longzhu Street, Nanshan District, Shenzhen, Guangdong Province, the PRC	0.83	1,800,000	0.23%
Tsui Chiu (Head of product planning)	Room 1218, Fung Chak House, Choi Wan (II) Estate, Ngau Chi Wan, Kowloon, Hong Kong	0.83	1,260,000	0.16%
Liu Gongxiao (Manager)	Room 6D, Unit 3, No 1 Building, Zhonghaiyuelangyuan, Yayuan Road, Bantian, Longgang District, Shenzhen, Guangdong Province, the PRC	0.83	1,260,000	0.16%

<u>Grantee and position</u>	<u>Address</u>	<u>Exercise price</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of the options</u>
Deng Kaixu (Manager)	Room 703, Li Yuan Community 15, Xuefu Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	0.83	1,260,000	0.16%
Hu Xiaoping (Senior manager)	Room 11D A1 Building, Junjinghuating, Minzhi Street, Longhua, Shenzhen, the PRC	0.83	900,000	0.11%
Cheung Kai Pong (Manager)	Flat 3010, Kam Keung House, Kam Ying Court, Ma On Shan, Shatin, New Territories, Hong Kong	0.83	900,000	0.11%
Hu Liangshan (Deputy manager)	Room 902, BLD10, Lijing Town, 76 section of Bao'An District, Shenzhen, the PRC	0.83	540,000	0.06%
Han Weihua (Deputy manager)	Talent Big Market Building, Bao'an North Road, Luohu, Shenzhen, Guangdong Province, the PRC	0.83	540,000	0.06%
Yang Min (Manager)	Room 601 No 208 Building, Gemdale Garden, Futian, Shenzhen, the PRC	0.83	540,000	0.06%
Guo Lifang (Deputy manager)	Junior College Students and Secondary Technical School Student's Register, North Street NO 4, Liuge Town, Qingfeng County, Henan Province, the PRC	0.83	360,000	0.05%

Grantee and position	Address	Exercise price	Number of Shares under the options granted	Approximate percentage of shareholding upon the exercise of the options
Lin Haibo (Deputy manager)	No.20 Building, No.2007, Shenyang Road, Yantian, Shenzhen, Guangdong Province, the PRC	0.83	360,000	0.05%
Zhang Wenyu (Engineer in charge)	No.200 Huigong Street, Huigong Town, Zhongyang County, Anqing City, Anhui Province, the PRC	0.83	360,000	0.05%
Fu Tsuen Wai David (Deputy manager)	Flat B, 17/F, Block 10, The Sherwood, Lam Tei, Tuen Mun, New Territories, Hong Kong	0.83	360,000	0.05%
Liu Dingming (Deputy manager)	Room 2107, Block A, Xingdahuafu, Xixiang Street, Bao'an District, Shenzhen, Guangdong Province, the PRC	0.83	360,000	0.05%
Chan Chi Hang (Deputy manager)	Room 1028, Lee Foo House, Shun Lee Estate, Kwun Tong, Hong Kong	0.83	360,000	0.05%
Chan Hoi Kwan (Deputy manager)	Flat F, 41/F, Block 15, Ocean Shores, 88 O King Road, Tseung Kwan O, New Territories, Hong Kong	0.83	360,000	0.05%
Tang Chi Keung (Deputy manager)	Room 701, Wong Shek House, Ping Shek Estate, Kwun Tong, Hong Kong	0.83	288,000	0.04%
Lai Chung Man (Deputy manager)	Room 2215, 22/F, Cheong Sin House, Upper Wong Tai Sin Estate, Wong Tai Sin, Kowloon, Hong Kong	0.83	288,000	0.04%

Grantee and position	Address	Exercise price	Number of Shares under the options granted	Approximate percentage of shareholding upon the exercise of the options
Cheng Siu Yim (Deputy manager)	Flat A2, 19/F, Cheong Wah Bldg., 55 Lo Tak Court, Tsuen Wan, New Territories, Hong Kong	0.83	288,000	0.04%
Wang Ronglin (Deputy manager)	Room 402 Unit 2 No 1 Building, Xinqing Garden, No.23 Xinqing 3 Road, Jingang Town, Doumen, Zhuhai, Guangdong Province, the PRC	0.83	270,000	0.03%
Li Jianjun (Engineer in charge)	No.03006, Group 3, Wanhua, Yiwan Town, Lixian County, Hunan Province, the PRC	0.83	270,000	0.03%
Wu Pin (Deputy manager)	No.70, Xiangxing Road, Zhanqian Road, Yuancheng District, Heyuan City, Guangdong Province, the PRC	0.83	270,000	0.03%
Liu Xiaochan (Engineer in charge)	Floor 2 and 3 on No. 5 Building, No.6 Building, JinBi Industrial Zone, Huangtian Community, Bao'an, Shenzhen, Guangdong Province, the PRC	0.83	270,000	0.03%
Qin Fenxian (Engineer in charge)	No.41, Genggukeng Pingdi Village, ChunCheng Town, Yang Chun City, Guangdong Province, the PRC	0.83	270,000	0.03%
Liu Jianchao (Division head)	8A Tianhua Bldg., Tianxin Garden, West Yongtai Road, Fuyong, Bao'an District, Shenzhen, Guangdong Province, the PRC	0.83	270,000	0.03%

Grantee and position	Address	Exercise price	Number of Shares under the options granted	Approximate percentage of shareholding upon the exercise of the options
He Zupei (Engineer in charge)	No.2, The East Ring Road 2, Yousong area, Long Hua, Shenzhen City, Guangdong Province, the PRC	0.83	270,000	0.03%
Yang Zhi (Engineer in charge)	Pinghe School Dormitory, Pinghe Village, Yizhang County, Hunan Province, the PRC	0.83	270,000	0.03%
Yan Wangen (Deputy manager)	Room 18, No 1 Building, No.9, Beihuxi Road, Yushui District, Xinyu City, Jiangxi Province, the PRC	0.83	270,000	0.03%
Luo Laihua (Division head)	17-508, Dingtai Fenghua, No. 1085, Qianhai Road, Nanshan, Shenzhen, the PRC	0.83	270,000	0.03%
Luo Xiang (Engineer in charge)	Group 4, ChaLu Village, Yan Dian Town, An Lu City, Hubei Province, the PRC	0.83	180,000	0.02%
Zhou Rong (Engineer in charge)	16B Yijingge, Yiyuan Building, Xuefu Road, Nanshan District, Shenzhen, the PRC	0.83	180,000	0.02%
Pi Yinqun (Engineer in charge)	Room 704, Block C, Mengxiangjiayuan, Nanshan District, Shenzhen, the PRC	0.83	180,000	0.02%
Tan Lu (Engineer in charge)	Yangguang Garden, Buji Town, Longgang, Shenzhen, the PRC	0.83	180,000	0.02%
Li Weizhong (Engineer in charge)	Room 2B, Unit 1, No 35 Building, Yicui Villas, Shenzhen, the PRC	0.83	180,000	0.02%

Grantee and position	Address	Exercise price	Number of Shares under the options granted	Approximate percentage of shareholding upon the exercise of the options
Wang Fengbo (Engineer in charge)	Yinhai 14th-G, Kangle Building, No. 2022, Nanshan AV, Nanshan District, Shenzhen, Guangdong Province, the PRC	0.83	180,000	0.02%
Liang Shaobin (Deputy manager)	Room 302, Unit 1, No 11 Building, A Zone, Sun Rising Impression Garden, Minzhi Street, Longhua New District, Shenzhen, the PRC	0.83	180,000	0.02%
Lin Zhifang (Engineer in charge)	Room 601, Unit 1, 4th Building, No. 50 North Section 1 Square Road, Hongguang Town, Pi County, Sichuan Province, the PRC	0.83	180,000	0.02%
Li Fude (Deputy manager)	Room 602, Unit 2, No 16 Building, No 18 Hongduzhong Road, Qingshanhu District, Nanchang City, Jiangxi Province, the PRC	0.83	180,000	0.02%
Ma Changjian (Engineer in charge)	Room 703, No 12 Building, No 1288 Yingbin North Road, Zhuhai City, the PRC	0.83	180,000	0.02%
Wang Guowu (Engineer in charge)	Room 2A, Building A22, Jiangnan Shijia, No.1 Jinfeng Road, Nancheng District, Dongguan City, Guangdong Province, the PRC	0.83	180,000	0.02%
Gao Genchu (Engineer in charge)	No.3 Team, LianTuo Village, LeTianXi Town, YiLing Area, YiChang City, HuBei province, the PRC	0.83	180,000	0.02%

<u>Grantee and position</u>	<u>Address</u>	<u>Exercise price</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of shareholding upon the exercise of the options</u>
Dong Biao (Engineer in charge)	Room 709, No.1, Caochang Road, Duanzhou District, Zhaoqing City, Guangdong Province, the PRC	0.83	180,000	0.02%
			21,024,000	2.63%

The percentages of shareholding represent the percentages immediately upon completion of the Capitalisation Issue and the Global Offering and taking no account of any shares which may be allotted and issued pursuant to the exercise of the Over-allotment Options and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. Except as set out above, no other options have been granted or agreed to be granted by us under the Pre-IPO Share Option Scheme.

Assuming the Over-allotment Option is not exercised, our shareholding structure before and after the full exercise of all the options granted under the Pre-IPO Share Option Scheme will be as follows:

<u>Shareholders</u>	<u>Shareholding structure immediately after completion of the Capitalisation Issue and the Global Offering but before the exercise of the options granted under the Pre-IPO Share Option Scheme</u>		<u>Shareholding structure immediately after completion of the Capitalisation Issue and the Global Offering and full exercise of the options granted under the Pre-IPO Share Option Scheme</u>	
	<u>Shares</u>	<u>%</u>	<u>Shares</u>	<u>%</u>
Fortune Six	417,717,600	52.21	417,717,600	50.88
Fortune Sky	65,175,600	8.15	65,175,600	7.94
Yongweida	62,931,000	7.87	62,931,000	7.66
Uphigh Global	39,192,000	4.90	39,192,000	4.77
Sure Top	14,983,800	1.87	14,983,800	1.83
Grantees under the Pre-IPO Share Option Scheme as non-connected persons	–	–	21,024,000	2.56
Other shareholders	200,000,000	25.00	200,000,000	24.36
	800,000,000	100.0	821,024,000	100.0

We will not permit the exercise of any Pre-IPO Share Option Scheme by any of our connected persons if, upon such exercise, we would not be able to attain the minimum public float requirement of the Stock Exchange.

(c) Valuation of the options granted under the Pre-IPO Share Option Scheme

The valuation of options granted under the Pre-IPO Share Option Scheme was conducted based on the Binomial Model with the following assumptions:

Date of grant	29 May 2015
Estimated share price at the date of grant	HK\$1.96
Exercise price per share	HK\$0.83
*Annual risk free rate	0.44 – 0.87% per year
*Expected volatility	39.79 – 47.04% per year
Life of the option	2.07 – 4.07 years
Expected dividend yield	3.3% per year

The expected suboptimal early exercise multiple for the grantees is assumed to be 220% times the exercise price. The post-vesting exit rate for the grantees is assumed to be nil per year.

* The assumptions above are based on market data as at 29 May 2015, quoted from Bloomberg.

The result of the Binomial Model can be materially affected by changes in the aforesaid assumptions so an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Model.

The fair value per share of option:

Vesting Period	Senior Management and other Grantees
One year after the Listing Date	HK\$1.20
Two years after the Listing Date	HK\$1.17
Three years after the Listing Date	HK\$1.19

(d) Effect on the earnings per Share as a result of the Pre-IPO Share Options

Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the year ended 31 December 2014 and that 821,024,000 Shares, comprising 800,000,000 Shares to be in issue immediately after the Capitalisation Issue and the Global Offering (assuming no exercise of the Over-allotment Option) and 21,024,000 Shares to be issued upon the exercise of all of the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ended 31 December 2014, this would have a potentially dilutive effect on audited basic earnings per Share from approximately HK\$25.24 cents (assuming on 800,000,000 Issued Shares) to approximately HK\$24.59 cents (assuming on 821,024,000 Issued Shares). This calculation has been prepared on the assumption that we will not receive any proceeds from the exercise of any option under the Pre-IPO Share Option Scheme, without taking into account the impact of fair value of the Shares on computation of the number of potentially dilutive Shares, and without taking into account the impact of the fair value of the options under the Pre-IPO Share Option Scheme on the audited net profit for the year ended 31 December 2014.

(e) *Summary of the major terms of the Pre-IPO Share Option Scheme and the offer letter*

(i) *Purpose*

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants (as described in paragraph (ii) below) have or may have made to our Group. The Pre-IPO Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in our Company with a view to achieving the following objectives:

- (1) motivate the eligible participants to optimise their performance efficiency for the benefit of our Group; and
- (2) attracting and retaining or otherwise maintaining relationships with the eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

(ii) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price set out in paragraph (iv) below to:

- (1) any full-time or part-time employees or potential employees, executives or officers of our Company or any of our subsidiaries;
- (2) any directors (including non-executive directors and independent non-executive directors) of our Company or any of our subsidiaries; or
- (3) any full-time employees of any subsidiaries of our Company of the level of manager or above and other full-time employees of our Company or its subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to our Company and/or any of the subsidiaries.

(iii) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 21,024,000 Shares.

(iv) *Price of Shares*

The exercise price of a Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall not be less than the par value of such Share.

(v) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so.

(vi) *Time of exercise of options and duration of the Pre-IPO Share Option Scheme*

The grantees to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her options in the following manner:

- (a) approximately 33% of the option shall become vested and exercisable on the 1st anniversary date of the Listing Date (the “**1st Vesting Date**”), and the exercise period in respect thereof shall commence on the 1st Vesting Date and end on the day immediately before the 1st anniversary date of the 1st Vesting Date (both dates inclusive);

- (b) approximately 33% of the option shall become vested and exercisable on the 2nd anniversary date of the Listing Date (the “**2nd Vesting Date**”), and the exercise period in respect thereof shall commence on the 2nd Vesting Date and end on the the 1st anniversary date of the 2nd Vesting Date (both dates inclusive); and
- (c) approximately 34% of the option shall become vested and exercisable on the 3rd anniversary date of the Listing Date (the “**3rd Vesting Date**”), and the exercise period in respect thereof shall commence on the 3rd Vesting Date and end on the the 1st anniversary date of the 3rd Vesting Date (both dates inclusive).

(vii) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(viii) Effect of alterations to capital

In the event of any capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction of share capital of our company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option and/or the method of exercise of the option as our auditors or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to pre-IPO share option schemes (the “**Supplemental Guidance**”). Any such alterations will be made on the basis that a grantee shall have the same proportion of our issued share capital (as interpreted in accordance with the Supplementary Guidance) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription amount payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(ix) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) the date of expiry of the option as may be determined by the Board;
- (2) the date of commencement of the winding-up of our Company in accordance with the Hong Kong Law;
- (3) the date on which the grantee ceases to be an eligible participant for reasons of gross negligence, wilful misconduct or convicted of a criminal offence; or

- (4) the date on which the Board shall exercise our right to cancel the option in accordance with paragraph (xi) below.

(x) Alteration of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that any material alteration to the terms and conditions of the Pre-IPO Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Pre-IPO Share Option Scheme.

(xi) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options.

(xii) Termination of the Pre-IPO Share Option Scheme

We may by resolution of our Shareholders in general meeting or the Board at any time terminate the Pre-IPO Share Option Scheme and in such event no further option shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(xiii) Administration of the Board

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (except as otherwise provided herein) shall be final and binding on all parties.

(xiv) Disclosure in annual and interim reports

We will disclose details of the Pre-IPO Share Option Scheme in our annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

15. Tax and other indemnity

The Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (e) referred to in paragraph 8 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and

- (b) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with the Group's title defects with respect to its Shenzhen production facilities.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 December 2014;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 January 2015 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in the prospectus; or
- (c) to the extent that such taxation claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 December 2014 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

We have been advised that there is no taxation in the nature of inheritance tax or estate duty in the Cayman Islands.

16. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

17. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$80,000 and are payable by our Company.

18. Promoters

- (a) Our Company has no promoter for the purposes of the Listing Rules.
- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

19. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued upon the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme and upon the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee in relation to the Listing is HK\$8.5 million.

20. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
BOCI Asia Limited	Licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
Jingtian & Gongcheng	Legal adviser to our Company as to PRC law
Conyers Dill & Pearman	Legal adviser to our Company as to Cayman Islands law
Ernst & Young	Certified public accountants
Frost & Sullivan	Industry consultant

21. Consents of experts

Each of the Sole Sponsor, Ernst & Young, Jingtian & Gongcheng, Frost & Sullivan and Conyers Dill & Pearman has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

22. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

23. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *The Cayman Islands*

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasized that none of our Company, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

24. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(b) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2014 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and

(d) our Group had not issued any debentures or did it have any outstanding debentures nor any convertible debt securities as at the Latest Practicable Date.

25. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE** and **YELLOW** application forms, the written consents referred to under the section headed “Statutory and General Information – Other Information – 21. Consents of experts” in Appendix IV to this prospectus, and certified copies of the material contracts referred to in the section headed “Statutory and General Information – Further Information about the Business of Our Company – 8. Summary of material contracts” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Mayer Brown JSM at 18th Floor, Prince’s Building, 10 Chater Road, Central, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles;
- (b) the Accountant’s Report from Ernst & Young in respect of the historical financial information of the Group for the years ended 31 December 2012, 2013 and 2014, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of the Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the consolidated audited financial statements of the Group for the years ended 31 December 2012, 2013 and 2014;
- (e) the Companies Law;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands Company Laws referred to in Appendix III to this prospectus;
- (g) the legal opinions prepared by Jingtian & Gongcheng in respect of certain aspects of the Group and summary of PRC laws and regulations relating to our business;
- (h) the industry report prepared by Frost & Sullivan, the industry consultant;
- (i) the material contracts referred to in the section headed “Statutory and General Information – Further Information about the Business of our Company – 8. Summary of material contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information – Other Information – 21. Consents of experts” in Appendix IV to this prospectus;
- (k) the Share Option Scheme; and
- (l) the service contracts referred to in the section headed “Statutory and General Information – Further Information about Directors and Shareholders – 11. Directors” in Appendix IV to this prospectus.



天彩控股有限公司
SKY LIGHT HOLDINGS LIMITED