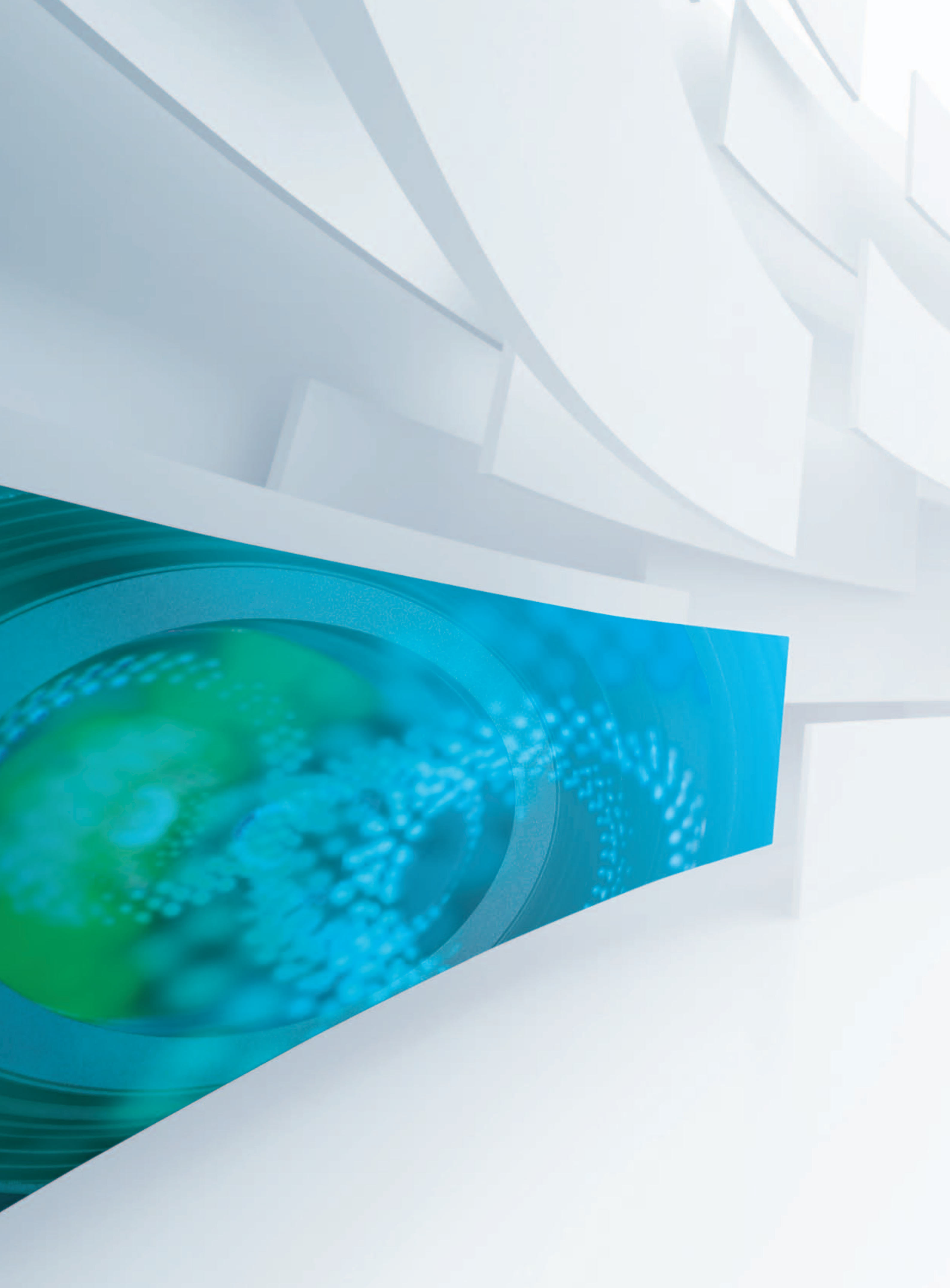
2015
Annual Report

Stock code
3882

天彩控股有限公司
SKY LIGHT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)



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Financial Highlights

	2015 HK$'000	2014 HK$'000	CHANGE
REVENUE	**2,736,152**	2,092,385	30.8%
GROSS PROFIT MARGIN (%)	**20.0%**	21.3%	-1.3 p.p.t.
PROFIT FOR THE YEAR	**213,517**	201,888	5.8%
NET PROFIT MARGIN (%)	**7.8%**	9.6%	-1.8 p.p.t.
ADJUSTED BY:			
LISTING EXPENSE	**22,978**	4,571	402.7%
SHARE OPTION EXPENSE	**8,182**	–	N/A
PROFIT FOR THE YEAR BEFORE LISTING EXPENSE	**236,495**	206,459	14.5%
PROFIT FOR THE YEAR BEFORE LISTING EXPENSE AND SHARE OPTION EXPENSE	**244,677**	206,459	18.5%
NET PROFIT MARGIN (%) BEFORE LISTING EXPENSE AND SHARE OPTION EXPENSE	**8.9%**	9.9%	-1.0 p.p.t.
CASH AND BANK BALANCES (NOTE)	**673,500**	264,431	154.7%
TOTAL EQUITY	**1,010,786**	219,081	361.4%
INTERIM DIVIDENDS	**48,019**	–	N/A
FINAL DIVIDENDS	**58,423**	–	N/A
PAYOUT RATIO OF FINAL AND INTERIM DIVIDENDS (%)	**49.9%**	–	N/A

Note:

Cash and bank balances include the following items as presented in the consolidated statements of financial position (1) cash and cash equivalents; (2) pledged deposits; and (3) available-for-sale investments included in short term assets.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Wing Fong Terry *(Chairman)*
Mr. Wu Yongmou
Mr. Lu Yongbin

Non-executive Directors

Mr. Huang Erwin Steve
Ms. Tang Kam Sau

Independent Non-executive Directors

Mr. Wong Kee Fung Kenneth
Dr. Cheung Wah Keung
Mr. Chan Tsu Ming Louis

COMMITTEES OF THE BOARD

Audit Committee

Mr. Wong Kee Fung Kenneth *(Chairman)*
Dr. Cheung Wah Keung
Mr. Chan Tsu Ming Louis

Remuneration Committee

Mr. Wong Kee Fung Kenneth *(Chairman)*
Mr. Tang Wing Fong Terry
Mr. Chan Tsu Ming Louis

Nomination Committee

Mr. Tang Wing Fong Terry *(Chairman)*
Mr. Wong Kee Fung Kenneth
Mr. Chan Tsu Ming Louis

AUTHORIZED REPRESENTATIVES

Mr. Tang Wing Fong Terry
Ms. Ho Wing Tsz Wendy

JOINT COMPANY SECRETARIES

Mr. Lu Yongbin
Ms. Ho Wing Tsz Wendy

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 PEOPLE'S REPUBLIC OF CHINA ("CHINA" OR THE "PRC")

No. 6 Building
Jinbi Industrial Zone
Huangtian Community, Bao'an District
Shenzhen
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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151– 153 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

AUDITORS

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

HONG KONG LEGAL ADVISER

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

Corporate Information

COMPLIANCE ADVISER

Guosen Securities (HK) Capital Co., Limited
42/F, Two International Finance Centre
No. 8 Finance Street
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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

STOCK CODE

3882

COMPANY WEBSITE ADDRESS

www.sky-light.com.hk

Chairman's Statement

To all shareholders,

On behalf of the Board of Directors ("Directors") ("Board"), I am pleased to present the annual report of Sky Light Holdings Limited ("Sky Light" or the "Company" or "our Company") and its subsidiaries (together, the "Group" or "our Group" or "we") for the year ended 31 December 2015 ("FY 2015").

Nothing stands still at Sky Light. While we have been proven to be one of the world's leading providers for digital imaging devices and solutions in the action camera industry, the success has empowered us to be one pioneer in home imaging and smart wearable sectors. Product offering has been expanded to include car camcorders, police cameras and more. With more than 10 years of experience in developing a diverse range of digital imaging products, we are dedicated to offering design-driven JDM (joint design manufacturing) and ODM (original design manufacturing) 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 ("R&D") capabilities.

For FY 2015, the Group's total revenue amounted to approximately HK$2,736.2 million, representing an increase of 30.8% compared to the year ended 31 December 2014 ("FY 2014") (2014: HK$2,092.4 million). The profit for the year attributable to owners of the Company increased by 5.8% to approximately HK$213.5 million (2014: HK$201.9 million) compared to that of FY 2014. Particularly, revenue from our home imaging business soared from HK$50.3 million in 2014 to HK$541.9 million in 2015, representing 10.8 times, was mainly attributable to the Group's correct positioning of focusing on high-end products designed for clients in the United States of America ("U.S." or "United States"). This business became one of our major businesses, contributing 19.8% of our total revenue for FY 2015.

Except action cameras and home cameras, we began the shipment of police cameras to a leading police equipment provider in the United States since December 2015 and launched car camcorder for a major Chinese internet company in January 2016.

During FY 2015, our financial position was further enhanced upon the listing of Sky Light's shares (the "Listing") on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 July 2015 (the "Listing Date"). Our cash and bank balance as at 31 December 2015 was approximately HK$673.5 million while our net equity as at 31 December 2015 was approximately HK$1,010.8 million.

Stepping into 2016, Sky Light is expecting a challenging year. Due to the impact from a core product discontinue by our top customer, confirmed orders for action camera, which accounted for 57% of the Group's total revenue during FY 2015, will be declined significantly when comparing to that of FY 2015. To offset the potential reduction in action camera revenue, we are aggressively looking for other opportunities in this category as well as emerging opportunities for other high-end imaging products, including but not limited to home surveillance cameras, police cameras, automotive cameras and 360 degree cameras for VR (virtual reality) applications.

Chairman's Statement

In order to be a top provider of smart imaging solution, new connectivity technology such as LTE (a telephone and mobile broadband communication standard) and video analytic solutions will also be integrated into our imaging devices and cloud platform offering added value to our customers and end users.

We believe that the Group has many opportunities in the smart imaging industry and is well positioned to compete in the global market. The Group will strengthen its presence in the United States and step up its efforts in establishing significant channels in China. Meanwhile, being armed with the well-experienced product planning team that are equipped with strong R&D ability, we will further expand our product offerings. We target on new product lines with high growth potential. Our ultimate goal is to strengthen our capabilities in marketing, innovation, technologies and manufacturing.

Sky Light, under the leadership of our visionary senior management, starting as a disposable camera manufacturer in 2000, successfully transitioned into a digital consumer electronics manufacturer in 2003. In 2005, we became the pioneer of action camera industry and further evolved to become a top provider of digital imaging devices and solutions in 2013. We will keep on nurturing and developing good company culture, sound financial management system, environmentally friendly and socially responsible work place, results-driven company structure and strategies to strive good value for all of our business partners, investors, and shareholders.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude for the support of all the business partners, customers and shareholders, as well as the contributions of the management team and all staff of the Group for the past many years. We believe that, with everybody's dedication and efforts, the Group will be sure to achieve further success.

Tang Wing Fong Terry
Chairman

Hong Kong, 23 March 2016

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in developing and manufacturing action cameras and related accessories, home imaging products, smart wearable products and other digital imaging products such as car camcorders, police cameras and other imaging products for various purposes. Especially, the Group is a leading digital imaging device and solution provider for the action camera industry and has successfully grown into an important player in home imaging industry. Leveraging our substantial experience spanning across a diverse range of digital imaging products, we differentiate ourselves from other manufacturers by offering design-driven JDM (joint design manufacturing) and ODM (original design manufacturing) solutions to customers. We derive almost all our revenue from JDM and ODM business and expect the two business models will continue to account for the main source of our revenue in the coming years.

The shares of the Company were listed on the Stock Exchange on 2 July 2015.

For the year ended 31 December 2015, the Group's turnover rose to approximately HK$2,736.2 million (2014: HK$2,092.4 million), representing growth of 30.8% as compared to the preceding year which was predominately contributed by the significant growth in home imaging business. The revenue of FY 2015 mainly was consisted of (1) revenue of HK$1,906.7 million from sales of action cameras and related accessories; (2) revenue of HK$541.9 million from sales of home imaging products; (3) revenue of HK$198.7 million from sales of digital imaging products; and (4) revenue of HK$88.9 million from sales of other products or services.

Since we entered into the action camera market in 2005, we have been successful in pioneering the design and development of action camera products for a decade. Based on our stable market position, we achieved revenue of HK$1,906.7 million from sales of action cameras in FY 2015, up from HK$1,783.5 million for the year ended 31 December 2014, representing an increase of 6.9%.

We have successfully entered into businesses with existing and new customers for our newly developed cloud camera, our first home imaging product which began commercial shipment in the third quarter of 2014. Revenue of home imaging products soared from HK$50.3 million to HK$541.9 million and such increase was mainly attributable to the Group's strategy in focusing on high-end products designed for clients in the United States. Such business operation has grown to become one of our major revenue sources, contributing 19.8% of our total revenue for FY 2015.

Furthermore, the digital imaging business has remained stable in sales, owing to steady demand from our existing customers. We have begun the shipment of police cameras to a leading police equipment provider in the United States since December 2015 and launched a car camcorder for a major Chinese internet company in January 2016.

PROSPECTS

Based on constant evaluation of the macro economy and the available data over the past two years, the U.S. appears to be on its way to economic recovery. This trend, plus further quantitative easing measures employed by the European Central Bank mean that, besides the U.S., the Eurozone should also sustain recovery momentum, thus facilitating the economic growth of other regions around the world.

Management Discussion and Analysis

Since our establishment, our core operations have mainly focused on the imaging products. We have successfully shifted from our positioning as a traditional imaging products manufacturer to become an action camera vendor, and furthermore have introduced home imaging products since 2014. Thus, we are seeking to become a comprehensive smart imaging devices and solutions provider. Our strategies have proven to be effective in the past years, enabling us to remain profitable and continue to add value for shareholders amid adverse economic conditions.

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

- Offer our customers the video cloud platform on top of hardware products to enable more applications creativity and enhance better user experience

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

- Strengthen our customer relationships and further expand our customer base

- Create and promote our own brands for new products

- Selectively pursue merger and acquisition opportunities along the value chain

With regards to the action camera business, we expect the shipment to our top customer and its designated suppliers (collectively referred to as the "Top Customer") will decrease significantly based on our available confirmed orders. As disclosed in the announcements of the Company dated 21 January 2016 and 5 February 2016, the Top Customer has announced its decision to discontinue the production of the HERO-line action cameras. The Group is the manufacturer of HERO-line action cameras for the Top Customer.

On the basis of rolling forecast of purchase orders with estimated quantities and confirmed orders provided by the Top Customer, the Top Customer will continue to place orders for accessories from the Group. The Company confirmed that there was no dispute between the Top Customer and the Group on quality of the shipment of action camera and accessories for the year ended 31 December 2015.

The Group derives a significant portion of its revenue from the Top Customer and relies substantially on the Top Customer for its business and results of operations. The total revenue generated from the Top Customer was approximately HK$1,935.3 million, among which the action cameras supplied to the Top Customer was approximately HK$1,558.2 million, representing approximately 57% of the Group's total revenue for the year ended 31 December 2015.

If the Top Customer does not place purchase orders for its other line(s) of action cameras with the Group and in the event that the Group is unable to secure orders from new customers or expand into other product categories to boost up its revenue, the Group may have difficulties in maintaining its utilisation rate and profitability at the level of the year ended 31 December 2015 and its business and results of operations for the year ending 31 December 2016 and thereafter could be materially and adversely affected.

Management Discussion and Analysis

The Group has been actively identifying and will continue to identify new customers for its camera products and diversifying its imaging product categories and portfolio with an aim to minimize the possible impact from the discontinuance of HERO-line action cameras by the Top Customer.

As disclosed in the prospectus of the Company dated 19 June 2015 ("Prospectus"), the Group entered into a global supply agreement with the Top Customer, under which the Group shall manufacture, package and sell digital action camera products and accessories to the Top Customer (the "Global Supply Agreement"). Pursuant to the Global Supply Agreement, the Group will not design or manufacture certain similar camera products with those supplied to the Top Customer for other customers during the period as specified in the Global Supply Agreement (the "Exclusivity Restriction"), provided that the Group will not be subject to the Exclusivity Restriction if the purchase orders for action camera and accessories from the Top Customer in any three-month period fall below certain minimum fixed amount as specified in the Global Supply Agreement. The aggregate actual shipment to the Top Customer in December 2015, January 2016 and February 2016 has fallen below the aforementioned minimum fixed amount. On such basis, the Exclusivity Restriction has been lifted from March 2016. Accordingly, the Group is allowed to design or manufacture certain similar camera products with those supplied to the Top Customer for other customers. Hence, the Group could explore more business opportunities in the market by providing similar camera products to other potential or existing customers. We believe our leading market position and capabilities have well-positioned us to develop and seek for cooperation with other well-known world leading brands.

For home imaging products, the demand for more cloud applications, better storage and connectivity have contributed to the remarkable market growth. More and more users are buying smart home cameras for home surveillance, as well as child care and elder care. With the demand for higher definition and interaction with smart devices, smart home imaging products are expected to enjoy strong growth in the near future. We believe that we are in the right direction for future development and will continue to develop more creative home imaging products for a variety of uses with different customers.

As for our digital imaging business, we will continuously introduce new niche cameras, such as car camcorders, police cameras, 360 degree cameras for VR (virtual reality) applications and other cameras for specialized use, the Group seeks to develop its businesses alongside its new business partners in the coming years. We successfully launched police cameras and car cameras in December 2015 and January 2016, respectively. We expect to introduce more digital imaging devices by close cooperation with the leading brands in diverse markets.

While we have historically generated the majority of our revenue from the sale of action camera and accessories, we expect our home imaging and digital imaging businesses to generate more of the Group's revenue in the next few years. Capitalizing on our well-defined strategy and solid business foundation, the management has the confidence in the Group's future prospects and will continue to create value for our shareholders.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

Our products consist mainly of the following four categories: (i) action cameras and accessories, (ii) digital imaging, (iii) home imaging, and (iv) others (including smart wearables). We generate revenue predominantly from sales of these products, as well as from sales of miscellaneous non-imaging products such as Wi-Fi boxes and tooling fees associated with products that we manufacture for certain major customers. While we have historically generated the majority of our revenue from the sale of action camera and accessories, we expect the contribution from home imaging products and new imaging products will increase significantly in the next few years. The following tables set out the breakdown of our revenue by product type and our revenue from sales of major products:

	2015		2014		Change
		% of total		% of total	
	HK$'000	**revenue**	HK$'000	revenue	%
Major products					
Action camera and accessories	**1,906,700**	**69.7%**	1,783,521	85.2%	6.9%
Digital imaging	**198,671**	**7.3%**	199,819	9.5%	–0.6%
Home imaging (1)	**541,930**	**19.8%**	50,305	2.4%	977.3%
Others (2)	**88,851**	**3.2%**	58,740	2.9%	51.2%
Total	**2,736,152**	**100.0%**	2,092,385	100.0%	30.8%

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 boxes and tooling fees. Smart wearables are also included in this category as they commenced shipment in June 2015 and contribute insignificant revenue to the Group at present.

For FY 2015, the Group has recorded a turnover of approximately HK$2,736.2 million (2014: HK$2,092.4 million), representing an increase of approximately 30.8% as compared to FY 2014. This increase was mainly attributable to (1) our new home imaging products recording revenue of HK$541.9 million, which represents approximately 10.8 times revenue of the corresponding products for FY 2014; and (2) an increase in sales of action cameras which was primarily due to the launch by the Top Customer of two new camera models during FY 2015.

As a result of our efforts in customer diversification, the percentage of revenue contributed by our Top Customer has decreased to approximately 70.7% for FY 2015, as compared to 82.7% in FY 2014, primarily resulting from the impact of the significant growth of our home imaging sales. As the home imaging industries further develop and there has been a continuous launch of new products, we expect to sell these new products to an increasing number of customers in the next few years. The Directors expect these new products would become the new growth drivers and significant sources of revenue for our business.

Management Discussion and Analysis

We sell our products mainly to customers in the United States and expect the U.S. market will continue to account for majority of our revenue in the foreseeable future. The significant increase in the sales in the United States in FY2015 were driven by the soar of home imaging products sold to U.S. clients. The following table sets out the breakdown of revenue by location of our customers in terms of absolute amount for the years indicated:

	2015 **HK$'000**	2014 HK$'000
United States	**2,469,722**	1,786,932
Mainland China	**138,145**	135,647
European Union	**82,125**	62,685
Others countries	**46,160**	107,121
	2,736,152	2,092,385

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 digital signal processors, lenses and sensors, (ii) direct labour, and (iii) production overhead, including mainly depreciation of production equipment and indirect labour.

For FY 2015, cost of sales of the Group amounted to approximately HK$2,190.0 million (2014: HK$1,646.6 million), representing an increase of approximately 33.0% as compared to FY 2014, and equivalent to approximately 80.0% (2014: 78.7%) of the turnover during the year. This increase was mainly attributable to an increase in the cost of raw materials, components and parts as we shipped more action cameras and home imaging products in the year.

Gross profit and gross profit margin

The Group recorded a gross profit amounting to approximately HK$546.1 million for FY 2015 (2014: HK$445.8 million), representing an increase of approximately 22.5% as compared to FY 2014. The gross profit margin decreased from approximately 21.3% for FY 2014 to approximately 20.0% for FY 2015. The decrease was primarily due to the decrease in our sales of accessories for action cameras which had generally higher margins than other products.

Other income and gains and other expenses

Other income and gains and other expenses include mainly (i) exchange gains or loss arising mainly from fluctuations in exchange rates; (ii) fair value gains or losses from derivative financial instruments, which relates to forward currency contracts that we used to manage our foreign currency risk; (iii) bank interest income; and (iv) government grants, which consist mainly of rewards and subsidies for research activities granted by the local government with no unfulfilled conditions or contingencies.

Management Discussion and Analysis

For FY 2015, other income and gains of the Group increased significantly by approximately HK$24.2 million while other expenses also increased by HK$3.6 million as compared to FY 2014. This significant fluctuation was primarily attributable to (i) a net increase of HK$19.5 million in exchange gains arising mainly from depreciation of Renminbi ("RMB") against U.S. dollar ("US$") between the invoice and settlement dates of our sales and purchases, and from translation of our US$-denominated trade payables and receivables, and (ii) a net increase of HK$2.4 million in the fair value gain from derivative financial instruments, which is partially offset by realized loss of HK$7.9 million from forward foreign currency contracts, primarily caused by the fluctuation of exchange rate between RMB and US$.

Selling and distribution costs

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.

For FY 2015, selling and distribution expenses increased by 56.3% to HK$24.3 million from HK$15.6 million for FY 2014. This increase was mainly attributable to an increase of HK$5.5 million in commercial insurance primarily as a result of we purchased commercial insurance for certain trade receivables as we place strict control on the credit risks.

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.

For FY 2015, administrative expenses was approximately HK$145.9 million (2014: HK$95.0 million). The increase was primarily due to (i) an increase of HK$15.8 million in staff salaries and benefits as we hired more management, administrative and finance staff to manage and support our business growth, (ii) an increase of HK$18.4 million in fees incurred in connection with the Listing of the Company, and (iii) an increase of share option expenses of HK$8.2 million in connection with the shares granted under the pre-IPO share option (the "Pre-IPO Share Option") adopted on 29 May 2015 and share option scheme (the "Share Option Scheme") adopted on 12 June 2015.

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.

For FY 2015, we recorded research and development costs of HK$136.1 million, which increased by 63.2% from HK$83.4 million for FY 2014. 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 video cloud, new home imaging models, police cameras, car cameras and other new products.

Finance costs

For FY 2015, the finance costs of the Group were approximately HK$3.9 million (2014: HK$2.7 million), representing an increase of approximately 44.3% as compared to FY 2014. This increase was attributable to an increase in average borrowing of US$ amounts from certain banks in Hong Kong for settlement of increased trade payments.

Income tax expense

For FY 2015, the income tax expense of the Group were approximately HK$40.3 million (2014: HK$44.6 million), representing a slightly decrease of approximately HK$4.3 million as compared to FY 2014. Effective income tax rate decreased from 18.1% for FY 2014 to 15.9% for FY 2015. This decrease in income tax and effective income tax rate was primarily attributable to a decreased amount of withholding tax on dividends distributed by our certain PRC subsidiary to its Hong Kong holding company.

Net profit

As a result of the foregoing, profit increased by 5.8% to HK$213.5 million for FY 2015 from HK$201.9 million for FY 2014. Excluding the listing expenses incurred, our net profit for FY 2015 would have increased by 14.5% as compared to the net profit for FY 2014.

Net profit margin decreased to 7.8% for FY 2015, compared to 9.6% in FY 2014, primarily as a result of our continual investments in research and development and the one-off listing expenses incurred in FY 2015.

Liquidity and capital resources

Our principal cash requirements are to pay for working capital needs and capital expenditures for the expansion and upgrade 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.

	2015 **HK$'000**	2014 HK$'000
Net cash flows from operating activities	**45,231**	292,587
Net cash flows used in investing activities	**(33,573)**	(31,017)
Net cash flows from/(used in) financing activities	**468,361**	(198,541)
Net increase in cash and cash equivalents	**480,019**	63,029
Cash and cash equivalents at beginning of year	**167,167**	104,138
Cash and cash equivalents at end of year	**629,990**	167,167

Management Discussion and Analysis

Net cash from operating activities for FY 2015 was HK$45.2 million, which primarily reflected our profit before tax of HK$253.8 million as positively adjusted for depreciation of HK$25.8 million, write-down of inventories to net realisable value of HK$26.4 million, listing expense of HK$23.0 million and certain other items, as well an decrease in cash of HK$234.6 million related to changes in working capital. The net cash from operating activities was partially offset by tax payments of HK$59.1 million. The decrease in cash related to changes in working capital consisted mainly of (i) an decrease in cash of HK$112.1 million due to an decrease in trade and bills payables as to cope with the decreasing purchase demand and (ii) a decrease in cash of HK$119.5 million due to an increase in inventories primarily as a result of more raw materials were prepared for the incomplete purchased orders placed by the Top Customer.

Net cash used in investing activities for FY 2015 was HK$33.6 million. This consisted mainly of (1) payment of HK$83.4 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, and intangible assets primarily for upgrading our enterprise resource planning system; (2) release of proceeds from available for sale investment of HK$67.4 million for cash management purpose; (3) investment of HK$7.8 million in a unlisted start-up company, and (4) further placement of pledged deposits of HK$13.7 million in the banks in connection of issuing more letter of credit from the banks.

Net cash from financing activities for FY 2015 was HK$468.4 million, which was caused by net listing proceeds of HK$623.1 million and net increase of bank borrowings of HK$47.2 million, partially offset by the payments of HK$198.0 million to settle the 2015 interim dividends and the remaining unpaid portion of the dividends declared for FY 2014.

The Group's cash and cash equivalents were dominated in HK$, US$ and RMB as at 31 December 2015.

Borrowing and the pledge of assets

The aggregate amount of our banking facilities as at 31 December 2014 and 31 December 2015 was HK$590.9 million and HK$443.6 million, respectively. As at the same dates, total bank loans in the amounts of HK$164.8 million and HK$212.0 million were outstanding, respectively, and repayable within one year. We obtained an increasing amount of interest-bearing bank and other borrowings primarily to take advantage of their low interest cost for cash management purposes.

The Group's bank and other borrowings are all denominated in US$ and bear fixed interest rates. During FY 2015, the annual interest rate of bank borrowings ranged from 0.8% to 2.1% (2014: 1.6% to 1.8%).

Further details of the Group's bank borrowings are set out in note 23 to the financial statements.

Certain of our interest-bearing bank and other borrowings as at 31 December 2014 and 31 December 2015 were secured by (i) the pledge of certain of our time deposits in the amounts of HK$27.0 million and HK$40.7 million, respectively, (ii) mortgages over our buildings with aggregate carrying amounts of HK$2.1 million and HK$2.0 million, respectively, and (iii) mortgages over our prepaid land lease payments with carrying amounts of HK$3.1 million and HK$3.0 million, respectively. The guarantees provided by Mr. Tang Wing Fong Terry were fully released in 2015.

Gearing ratio

Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank and other borrowings) by total equity as at the end of the each year end. Our gearing ratio as at 31 December 2014 and 31 December 2015 was 75.2% and 21.0%, respectively. The decrease in gearing ratio was primarily due to the increase in net equity of HK$641.4 million which was in connection with the proceeds raised from the Listing.

Capital expenditure

During FY 2015, the Group invested approximately HK$80.9 million (2014: HK$46.1 million) in fixed assets and intangible assets, of which HK$74.6 million (2014: HK$40.8 million) was used for the purchase and upgrade of equipment used for expansion of production facilities.

Off balance sheet transactions

During FY 2015, the Group did not enter into any material off balance sheet transactions.

Foreign exchange exposure and exchange rate risk

We have transactional currency exposure, which arise from sales in currencies other than the relevant operating units, that is, functional currencies. Approximately 99.2% and 98.8% of our sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 51.7% and 51.2% of inventory costs were denominated in their functional currencies for FY 2014 and FY 2015, respectively.

We use forward currency contracts to manage currency risk. However, as a result of the depreciation of RMB against US$, we recorded realized losses of approximately HK$7.9 million (2014: gain of HK$2.5 million) and fair value gain of HK$2.4 million (2014: loss of HK$6.1 million) on the forward contracts for FY 2015.

As at 31 December 2015, the maximum aggregate notional transaction amount under these forward currency contracts is US$7.1 million per month. As at the date of this report, the Group has no outstanding currency forward contracts due to all the forward currency contracts were matured.

Events after the reporting period

On 21 January 2016 and 5 February 2016, the Company made two announcements of business updates in relation to the Top Customer and its decision to discontinue the production of the HERO-line action cameras. The details of the analysis of the impact was set out under the section headed "Prospects" to this report.

Treasury policies

We have implemented our internal treasury investment policies since January 2015 and revised it in December 2015, which provide the guidelines, requirements and approval process with respect to our treasury investment activities. We regularly evaluate the risks and returns of our wealth management products.

Management Discussion and Analysis

Under our treasury investment policy, we are only allowed to invest in wealth management products with the two lowest risk rating classified by the banks and debentures with ratings above "BBB" or "baa" or similar ratings. All the treasury products must also meet the following criteria (i) be issued by well recognized publicly listed banks, (ii) do not have any default history, and (iii) have a maturity term less than one year or can be easily converted into cash in the market. Our treasury investment policy also provides that the outstanding balance of our wealth management products is not allowed to exceed 50% of total amount of cash and cash equivalents and wealth management products, any plan to increase this monetary limit must be approved by the Board. None of any single investment can exceed 35% of the total investments amount.

We have experienced management team and strict procedures in place to ensure the wealth management products are purchased in compliance with our internal policies and requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The management, internal audit and the board (including the independent non-executive Directors) will regularly review our compliance with the treasury investment policies and assess the risk associated with our investments.

Our total investment under our treasury policy was HK$2.8 million as at 31 December 2015 (2014: HK$70.3 million).

The decrease of available-for-sale investments as two of our wealth management contracts matured during FY 2015 and we utilized the released cash for general working capital.

Employees and emoluments policy

As at 31 December 2015, the Group had employed a total of 3,095 employees. The staff costs, including directors' emoluments but excluding any contributions to pension scheme, were approximately HK$307.6 million for FY 2015 (2014: HK$224.7 million). All of our employees are paid a fixed salary and a bonus depending on their performance as determined by quarterly assessments. We seek to provide compensation for our research and 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, the Group has adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, under which grantees are entitled to exercise the options to subscribe for Shares subject to the terms and conditions of the respective schemes.

Significant Investments held

During FY 2015, the Group did not have any significant investments.

APPLICATION OF GLOBAL OFFERING PROCEEDS

The Company was listed on the Stock Exchange on 2 July 2015. The net proceeds raised from the global offering were approximately HK$613.0 million after deduction of related expenses. For the year ended 31 December 2015, the Company applied proceeds from the Listing as follows:

- HK$56.8 million was used by the Group for purchases of production machinery and equipment;
- HK$7.8 million was used by the Group to invest in an unlisted start-up company;
- HK$1.7 million was used by the Group for marketing;
- HK$21.8 million was used by the Group for research and development expenditures;
- HK$61.3 million was used by the Group for working capital and general corporate purposes.

The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong and Mainland China in accordance with the intention of the Board as disclosed in the Prospectus. The Company has not utilized and will not utilize any net proceeds for purposes other than these disclosed in the Prospectus.

COMMITMENT

As at 31 December 2015, the Group's operating lease and capital commitment amounted to HK$52.5 million (31 December 2014: HK$9.1 million) and HK$7.0 million (31 December 2014: HK$5.7 million), respectively. The significant increase in lease commitment was due to the renewal our lease agreements for our Heyuan plant and Shenzhen plant during FY 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the financial year 2015, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no significant contingent liabilities.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tang Wing Fong Terry (鄧榮芳), aged 57, 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. Mr. Tang is the director of Fortune Six Investment Ltd., a Controlling Shareholder which held approximately 52.20% of total issued shares in the Company as at 31 December 2015.

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. 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 (Heyuan) Limited ("Sky Light Technology") 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 Electronic (Shenzhen) Limited ("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 Science Park (Heyuan) Co., Ltd. ("Xinyongyi"), a company engaged in the development and operation of science park in Heyuan. Mr. Wu is the director of YongWeiDa Investment Limited, a substantial shareholder which held approximately 7.86% of total issued Shares in the Company as at 31 December 2015.

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. Lu Yongbin (盧勇斌), aged 43, 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 23 years of experience in accounting and related financial management and 11 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 as 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 the director of Fortune Sky Investment Limited, a substantial shareholder which held approximately 8.14% of total issued shares in the Company as at 31 December 2015.

NON-EXECUTIVE DIRECTORS

Mr. Huang Erwin Steve (黃岳永), aged 50, 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 has been engaged as an external consultant of business planning of the Company with effect from 27 July 2015 for a term ending on 31 December 2017.

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 53, 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 11 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.

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

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 51, 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 (ecole 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 also served as an independent non-executive director of China Kingstone Mining Holdings Limited (Stock code: 1380) from July 2015 to December 2015. 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. All of these companies are listed on the Main Board of the Stock Exchange.

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.

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 48, 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 13 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 11 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 41, 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 15 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.

Directors and Senior Management

JOINT COMPANY SECRETARIES

Mr. Lu Yongbin (盧勇斌), aged 43, 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 report for further biographical information about Mr. Lu.

Ms. Ho Wing Tsz Wendy (何詠紫), aged 46, 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.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

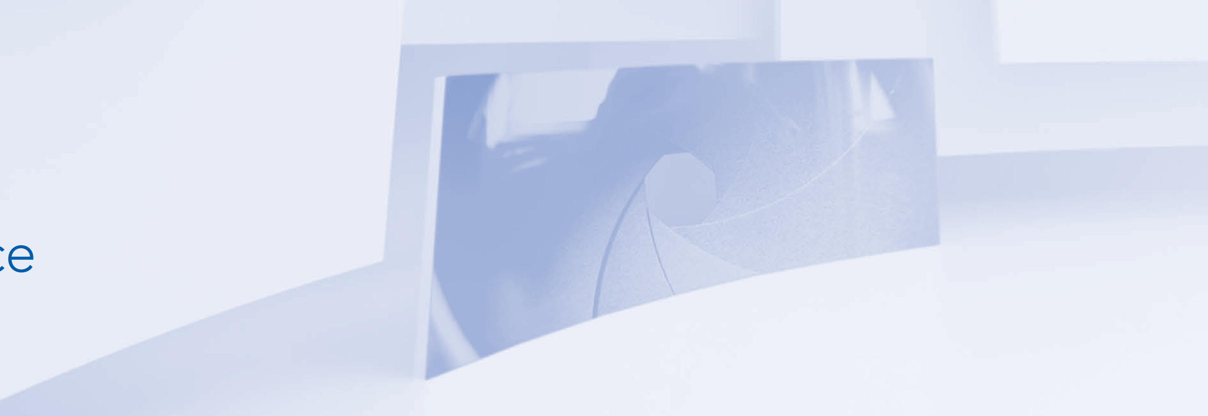
The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. The CG Code has been applicable to the Company with effect from the Listing Date. Throughout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

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. As Mr. Tang Wing Fong Terry is the chairman of the Board and chief executive officer of the Company, the Company has deviated from the code provision A.2.1. The Board considers that having Mr. Tang Wing Fong Terry acting as both the chairman of our Board and the chief executive officer of the Company will provide a strong and consistent leadership to the Company and allow for more effective planning and management for our Group. In view of Mr. Tang's extensive experience in the industry, personal profile and critical role in our Group and its historical development, the Board considers that it is beneficial to the business prospects of our Group that Mr. Tang continues to act as both the chairman of our Board and the chief executive officer of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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



Corporate Governance Report

THE BOARD OF DIRECTORS

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board shall take decisions objectively in the interests of the Company and its shareholders at all times.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation. All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

Delegation of management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management. The Company has adopted a formal schedule of functions reserved to the Board and delegated to the management.

Delegation of corporate governance duties

The Board has delegated the responsibility for performing corporate governance functions set out in the code provision D.3.1 of the CG Code to the audit committee of the Company.

Board Composition

Currently, the Board comprises three executive Directors, two non-executive Directors and three independent on-executive Directors. The Company has complied with rules 3.10 and 3.10A of the Listing Rules. From the Listing Date to 31 December 2015, the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgment.

The Board comprises the following directors:

Executive Directors
Mr. Tang Wing Fong Terry *(Chairman and Chief Executive Officer)*
Mr. Wu Yongmou
Mr. Lu Yongbin

Non-executive Directors
Mr. Huang Erwin Steve
Ms. Tang Kam Sau

Independent non-executive Directors
Mr. Wong Kee Fung Kenneth
Dr. Cheung Wah Keung
Mr. Chan Tsu Ming Louis

The brief biographic details of and relationships between the existing Directors are set out under the section headed "Directors and Senior Management" in this annual report. There are no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

Chairman and Chief Executive Officer

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Tang Wing Fong currently holds both positions, as explained in the paragraph headed "Corporate Governance Practices" in the Corporate Governance Report.

Non-executive Directors

The non-executive Directors are expected to participate in the activities of the Board, particularly in the establishment of a selection process to ensure a mix of competent directors and officers; adoption of a system of internal checks and balances; scrutiny of the Company's performance in achieving agreed corporate goals and objectives; and ensuring that the exercise of Board authority is within the powers conferred to the Board under the memorandum and articles of association of the Company and applicable laws, rules and regulations.

Independent Non-executive Directors

The independent non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance, legal and business. Their skills, expertise and number in the Board ensure that strong independent views and judgment are brought in the Board's deliberations and that such views and judgment carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of Shareholders and the Company.

Each independent non-executive Director has provided with the Company an annual confirmation of his independence. The Company considers all independent non-executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Appointment, Re-Election and Removal of Directors

All Directors are appointed for a specific term of three years. Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company is under a service agreement or letter of appointment with the Company commencing from 2 July 2015.

Corporate Governance Report

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. According to the Company's Articles of Association, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company's annual general meeting ("AGM"). Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next following AGM.

In accordance with the Company's Articles of Association, Mr. Tang Wing Fong Terry, Mr. Wu Yongmou, Mr. Lu Yongbin, Mr. Huang Erwin Steve, Ms. Tang Kam Sau and Mr. Chan Tsu Ming Louis shall retire and, being eligible, offer themselves for re-election at the forthcoming 2016 AGM. The Board and the Nomination Committee recommend their reappointment.

The Company's circular, sent together with this annual report, contains detailed information of the above six proposed retiring directors as required by the Listing Rules.

Directors' Training

All Directors confirmed that they had complied with CG Code provision A.6.5 during the year ended 31 December 2015, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the year under review conducted by the legal adviser as to Hong Kong Laws and relevant training material has been distributed to the Directors. The training covered topics including the CG Code, listed company regulations and disclosure obligations in Hong Kong, discloseable transactions and connected transactions etc.

Board Meetings

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business. Notice of regular Board meetings will be dispatched to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting.

When a Director and the enterprise(s) involved in a proposal of a Board meeting have material interests/conflict of interest, such Director shall not exercise his/her voting rights on such proposal nor shall he/she exercise any voting rights on behalf of other Directors.

Set out below are details of the attendance record of each Director at the Board and committee meetings of the Company held during the period from the Listing Date to 31 December 2015:

	Attendance/Number of Meetings Held			
Name of Directors	**Regular Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**
Executive Directors				
Mr. Tang Wing Fong Terry	3/3*	N/A	1/1*	1/1
Mr. Wu Yongmou	3/3	N/A	N/A	N/A
Mr. Lu Yongbin	3/3	N/A	N/A	N/A
Non-executive Directors				
Mr. Huang Erwin Steve	2/3	N/A	N/A	N/A
Ms. Tang Kam Sau	2/3	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Wong Kee Fung Kenneth	2/3	2/2*	1/1	1/1*
Dr. Cheung Wah Keung	3/3	2/2	N/A	N/A
Mr. Chan Tsu Ming Louis	3/3	2/2	1/1	1/1

Remark:

* *representing chairman of the Board or the relevant committees*

The Company only held 3 meetings during the year under review as the shares of the Company were listed on the Stock Exchange on 2 July 2015. The Company is obliged to comply with the CG Code and will take appropriate arrangements for holding at least 4 regular Board meetings in the forthcoming year. No general meeting held during the year under review.

Apart from the above Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

Directors' and Officers' liability insurance

The Company has taken out liability insurance to indemnify its Directors and senior management for their liabilities arising from the performance of their duties. The insurance coverage is reviewed by the Company on an annual basis. No claim has been made against the Directors and senior management of the Company during the year.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee ("Audit Committee'), the remuneration committee ("Remuneration Committee"), and the nomination committee ("Nomination Committee"), for overseeing particular aspects of the Company's affairs. All committees have been established with defined written terms of reference, which were posted on the Stock Exchange's (www.hkex.com.hk) and the Company's websites (www.sky-light.com.hk). All committees should report to the Board on their decisions or recommendations made.

All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

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

During the year, the Audit Committee has held two meetings (the attendance records of each Committee member are set out in above paragraph headed "Board Meetings") for discussion on the following issues arising from the audit and financial reporting matters:

— Review and discussion of the unaudited interim condensed financial statements, results announcement and report for the six months ended 30 June 2015, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes;

— Review of the Group's continuing connected transactions;

— Review of and monitoring the Company's corporate governance policies and practices, the training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report;

— Review of the annual audit plan of auditors, including the nature and scope of the audit, the fee payable to them, their reporting obligations and their work plan; and

— Review of the internal control performance and effectiveness.

The external auditors were invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management on the internal control and financial reporting matters, including the review of the audited consolidated financial results and annual report for the year ended 31 December 2015.

The terms of reference of Audit Committee were revised and adopted by the Company on 18 December 2015 pursuant to the amendments to the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 of the Listing Rules relating to internal control and risk management which would apply to accounting periods beginning on or after 1 January 2016.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors.

Nomination Committee

The Company established Nomination Committee on 12 June 2015 with its written terms of reference by reference to the code provisions of the CG Code 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. The Nomination Committee comprises three members, being Mr. Tang Wing Fong Terry (chairman of the Board), Mr. Chan Tsu Ming Louis (independent non-executive Director) and Mr. Wong Kee Fung Kenneth (independent non-executive Director). Mr. Tang Wing Fong Terry currently serves as the chairman of the Nomination Committee.

The Board would follow a set of formal, considered and transparent procedures for the appointment of new directors to the Board. In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, board diversity, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

According to the board diversity policy adopted by the Company, the Nomination Committee is also responsible for reviewing the policy, developing and reviewing measurable objectives (including but not limited to gender, age, cultural and educational background, or professional experience) for implementing the policy, and monitoring the progress on achieving the measurable objectives set to ensure the continued effectiveness of the Board.

During the year, the Nomination Committee has held one meeting (the attendance records of each Committee member are set out in above section headed "Board Meetings") and performed the following major works:

— Review the policy for the nomination of directors;

— Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

— Assessment of the independence of all the Company's independent non-executive directors.

Remuneration Committee

The Company established Remuneration Committee on 12 June 2015 with its written terms of reference in compliance with the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of the Directors and senior management. The Remuneration Committee consists of three members, being Mr. Wong Kee Fung Kenneth (independent non-executive Director), Mr. Tang Wing Fong Terry (chairman of the Board) and Mr. Chan Tsu Ming Louis (independent non-executive Director). Mr. Wong Kee Fung Kenneth currently serves as the chairman of the Remuneration Committee.

During the year, the Remuneration Committee has held one meeting (the attendance records of each Committee member are set out in above paragraph headed "Board Meetings") to review and made recommendations to the remuneration policy of the Group and the remuneration packages of the Directors.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management, including those members of senior management who are also executive directors, by band for the year ended 31 December 2015 is set out below:

Remuneration band (HK$)	**Number of individual**
<500,000	0
500,001–1,000,000	4
1,000,001–1,500,000	2

Details of the remuneration of each director of the Company and compensation of key management personnel of the Group for the year ended 31 December 2015 are set out in note 9 and note 34, respectively, to the financial statements contained in this annual report.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Audit Committee and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The corporate governance policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its corporate governance policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During the year under review, the Audit Committee has reviewed and monitored the Company's corporate governance policies and practices, the training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

EXTERNAL AUDITORS' REMUNERATION

The Company engaged Ernst & Young as its external auditors for the year ended 31 December 2015. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. The statement of external auditors of the Company about his reporting responsibilities on the Company's consolidated financial statements for the year is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to Ernst & Young, the Company's auditors, in respect of audit services for the year ended 31 December 2015 was HK$2,600,000. The audit fee was approved by the Board. During the year, the total remuneration in respect of the non-audit services provided by the external professional firm of the Company was HK$716,000, mainly included review the effectiveness of the Group's material internal control system.

Corporate Governance Report

The Board has proposed to re-appoint Ernst & Young as the auditors of the Company, which is subject to the approval by Shareholders at the forthcoming AGM.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders investments and Company assets and reviewing the effectiveness of such through Audit Committee on an annual basis.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues and makes recommendations.

For the purpose of the Company's Listing, the Company hired an external professional firm to review the effectiveness of the Group's material internal control system. They had communicated with the Company on their findings and recommendations. On-going assessments and amendments have been conducted by our internal audit department.

For the year ended 31 December 2015, the Board considered that the Group's internal control system is adequate and effective and the Company has complied with the code provision on internal control of the CG code.

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. Lu Yongbin and Ms. Ho Wing Tsz Wendy. Ms. Ho Wing Tsz Wendy, a director of corporate services at Tricor Services Limited (an external service provider) who fulfils the qualification requirements laid down in the Listing Rules and the primary contact at the Company is Mr. Liu Jie, Investor Relations Director of the Company. Biographical details of joint company secretaries are set out under "Directors and Senior Management" section in this annual report.

During the year ended 31 December 2015, Mr. Lu Yongbin and Ms. Ho Wing Tsz Wendy each has taken not less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting. An AGM shall be called by notice of not less than 21 clear days and not less than 20 clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of not less than 14 clear days and not less than 10 clear business days.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Company's Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

Shareholders of the Company are requested to follow article 58 of the Company's Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to convene an extraordinary general meeting".

Pursuant to article 85 of the Company's Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company or at the Hong Kong branch share registrar and transfer office of the Company no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

The procedures for shareholders of the Company to propose a person for election as a Director is posted on the website of the Company. Shareholders or the Company may refer to the above procedures for putting forward any other proposals at general meetings.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules and article 66(1) of the Company's Articles of Association, any vote of shareholders at a general meeting must be taken by poll except where 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. As such, all the resolutions to be set out in the notice of AGM will be voted by poll.

Corporate Governance Report

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;

- Publication of announcements on the annual and interim results on the Stock Exchange's and the Company's websites, and issuance of other announcements and circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Constitutional Documents

Pursuant to written resolutions of all Shareholders passed on 12 June 2015, the Amended and Restated Memorandum and Articles of Association of the Company were adopted with effect from the Listing Date, copy of which is available on both the websites of the Stock Exchange and the Company.

Directors' Report

The Directors are pleased to present to the Shareholders this annual report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 1 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and of the Group as at 31 December 2015 are set out in the financial statements on pages 52 to 123. The Board have recommended a final dividend of HK7.3 cents per share for the year ended 31 December 2015 which will be subject to the approval of the Company's Shareholders at the forthcoming AGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 May 2016 to Thursday, 26 May 2016, both days inclusive, during which period no transfers of shares shall be effected. In order to determine the entitlement to attend and vote at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 May 2016.

The register of members of the Company will be closed from Wednesday, 1 June 2016 to Thursday, 2 June 2016, both days inclusive, during which period no transfers of shares shall be effected. In order to determine the entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at the above address for registration not later than 4:30 p.m. on Tuesday, 31 May 2016.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years is set out on page 124 of this report. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2015 are set out in note 14 to the financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2015 are set out in note 23 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2015 are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of the movement in reserves of the Company and the Group during the year under review are set out in note 39 to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution as calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$649.4 million, of which HK$58.4 million has been proposed as a final dividend for the year.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2015 were approximately HK$1,025,000 (2014: HK$25,000).

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2015, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 14.1% (2014: 13.5%) and 42.6% (2014: 44.1%) of the Group's total purchases respectively.

For the year ended 31 December 2015, sales to the single top customer of the Group and the five top customers of the Group in aggregate accounted for approximately 66.5% (2014: 75.2%) and 89.4% (2014: 89.1%) of the Group's total turnover respectively. As disclosed in the section headed "Management Discussion and Analysis", the percentage revenue contribution by our top customer and its designated suppliers totaled to 70.7% for FY 2015 (2014: 82.7%).

At all-time during the year ended 31 December 2015, none of the Directors or any of their associates or any shareholders of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

Directors' Report

DIRECTORS

The Directors in office as at the date of this report are:

Executive Directors

Mr. Tang Wing Fong Terry *(Chairman and Chief Executive Officer)*
Mr. Wu Yongmou
Mr. Lu Yongbin

Non-executive Directors

Mr. Huang Erwin Steve
Ms. Tang Kam Sau

Independent non-executive Directors

Mr. Wong Kee Fung Kenneth
Dr. Cheung Wah Keung
Mr. Chan Tsu Ming Louis

Mr. Tang Wing Fong Terry, Mr. Wu Yongmou, Mr. Lu Yongbin, Mr. Huang Erwin Steve, Ms. Tang Kam Sau and Mr. Chan Tsu Ming Louis will retire in accordance with articles 83 and 84 of the Company's Articles of Association at the Company's forthcoming AGM and being eligible, offer themselves for re-election.

Every Director shall retire from office once every three years and for this purpose, at each AGM one-third (1/3) of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest to one-third (1/3) but not less than one-third (1/3) shall retire from office by rotation. The directors to retire in every year will be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Subject to the Company's Articles of Association, a retiring Director shall be eligible for re-election at the annual general meeting at which he retires. For avoidance of doubt, each Director shall retire at least once every three (3) years.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of directors' remuneration and those of the five highest paid individuals in the Group are set out in note 9 and note 10 to the financial statements.

Directors' Report

DIRECTORS' SERVICE CONTRACT

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 non-executive Director and the independent 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.

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).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to any Director or chief executive of the Company, as at 31 December 2015, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest	Interest in shares[1]	Interest in underlying shares of share options[1]	Approximate percentage of total issued shares in the Company
Tang Wing Fong Terry[2]	Founder of a discretionary trust, beneficiary of a trust and beneficial owner	425,428,600 shares (L)		53.15%
Wu Yongmou[3]	Founder of a discretionary trust and beneficial owner	63,202,000 shares (L)		7.89%
Tang Kam Sau[4]	Interest in a controlled corporation	39,192,000 shares (L)		4.90%
Lu Yongbin[5]	Beneficiary of a trust and beneficial owner	3,595,800 shares (L)		0.45%
Huang Erwin Steve[6]	Beneficial owner		2,000,000 shares (L)	0.24%

Notes:

(1) The letter "L" denotes the Directors' long position in the shares of the Company or the relevant associated corporation.

(2) The disclosed interest represents (i) the interest in 417,717,600 Shares held by Fortune Six Investment Ltd., which is wholly-owned by Wing Lung Bank (Trustee) Limited as trustee for the Tang's Family Trust (i.e. The Trust 168) through Antopex Limited and Best One International Limited (as nominees for Wing Lung Bank (Trustee) Limited) (ii) his beneficial interest in 5,214,000 Shares held by Fortune Sky Associates Limited by virtue of Mr. Tang Wing Fong Terry being a beneficiary in The Sky Light Employees' Trust, and (iii) his personal interest in 2,497,000 Shares.

(3) The disclosed interest represents the interest in 62,931,000 Shares held by YongWeiDa Investment Limited, which is wholly owned by Wing Lung Bank (Trustee) Limited as trustee of the Wu's Family Trust (i.e. The Ling Shui Family Trust) through Antopex Limited and YongDingDa Investment Limited (as nominees for Wing Lung Bank (Trustee) Limited) and his personal interest of 271,000 Shares.

(4) Ms. Tang Kam Sau is the sole shareholder of Uphigh Global Limited, which holds 39,192,000 Shares. By virtue of the SFO, she is deemed to be interested in Uphigh Global Limited's interest in 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 Associates Ltd. by virtue of Mr. Lu Yongbin being a beneficiary in The Sky Light Employees' Trust.

(6) The disclosed interest is unvested share options granted by the Company to Mr. Huang Erwin Steve.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2015, none of the Directors or chief executive of the Company had any interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware as at 31 December 2015, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of shareholder	Capacity/nature of interest	Number of shares[1]	Approximate percentage of total issued shares in the Company
Wing Lung Bank (Trustee) Limited[2]	Trustee of a trust	545,824,200 shares (L)	68.20%
Antopex Limited[2]	Nominee for another person	545,824,200 shares (L)	68.20%
Best One International Limited[2][3]	Interest of controlled corporation	417,717,600 shares (L)	52.20%
Fortune Six Investment Ltd.[2][3]	Beneficial owner	417,717,600 shares (L)	52.20%
Brilliant Sky Associates Ltd.[2]	Interest of controlled corporation	65,175,600 shares (L)	8.14%
Fortune Sky Associates Limited[2]	Beneficial owner	65,175,600 shares (L)	8.14%
YongDingDa Investment Limited[2][4]	Interest of controlled corporation	62,931,000 shares (L)	7.86%
YongWeiDa Investment Limited[2][4]	Beneficial owner	62,931,000 shares (L)	7.86%

Notes:

(1) The letter "L" denotes a person's long position in our shares or shares of the relevant Group member.

(2) Wing Lung Bank (Trustee) Limited as trustee holds 545,824,200 Shares by virtue of the SFO as follows:

(i) 417,717,600 Shares held by Fortune Six Investment Ltd., which is wholly-owned by Wing Lung Bank (Trustee) Limited as trustee for the Tang's Family Trust (i.e. The Trust 168) through Antopex Limited and Best One International Limited (as nominees for Wing Lung Bank (Trustee) Limited);

(ii) 62,931,000 Shares held by YongWeiDa Investment Limited, which is wholly-owned by Wing Lung Bank (Trustee) Limited as trustee for the Wu's Family Trust (i.e. The Ling Shui Family Trust) through Antopex Limited and YongDingDa Investment Limited (as nominees for Wing Lung Bank (Trustee) Limited); and

(iii) 65,175,600 Shares held by Fortune Sky Associates Limited, which is wholly-owned by Wing Lung Bank (Trustee) Limited as trustee for The Sky Light Employees' Trust through Antopex Limited and Brilliant Sky Associates Ltd. (as nominees for Wing Lung Bank (Trustee) Limited).

(3) The interest of Best One International Limited and Fortune Six Investment Ltd. was also disclosed as the interest of Mr. Tang Wing Fong Terry in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" .

(4) The interest of YongDingDa Investment Limited and YongWeiDa Investment Limited was also disclosed as the interest of Mr. Wu Yongmou in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" .

Save as disclosed above, as at 31 December 2015, the Directors are not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had an interest or a short positions in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "CONTINUING CONNECTED TRANSACTIONS" in this report and note 34 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year under review.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this annual report, none of the Directors has any interest in a business apart from the business which competes or is likely to compete, either directly or indirectly, with the Group's business.

Directors' Report

Deed of Non-Competition

Fortune Six Investment Ltd. and Mr. Tang Wing Fong Terry (collectively the "Controlling Shareholders") have entered into a deed of non-competition on 12 June 2015 (the "Deed") with our Company. Pursuant to the Deed, each of the Controlling Shareholders shall and shall procure that its associates (other than members of the 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 Company has received confirmations from the Controlling Shareholders of their compliance with the terms of the Deed. The Controlling Shareholders declared that they have fully complied with the Deed for the year ended 31 December 2015. The independent non-executive directors have reviewed on the confirmations from the Controlling Shareholders and concluded that the Deed has been complied with and has been effectively enforced.

Directors' rights to acquire shares or debenture

Save as disclosed herein, at no time from Listing Date to the date of this report was the Group a party to any arrangements to enable the Directors of the Group to acquire by means of acquisition of shares in, or debt securities, and including debentures, of the Group or any other body corporate.

Purchase, sale or redemption of listed securities

The Company is empowered by the applicable Companies Law, Cap 22 of the Cayman Islands and the articles of association of the Company to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from the Listing Date up to 31 December 2015.

SHARE OPTION SCHEMES

The details of the share option schemes adopted by the Company are set out in note 28 to the consolidated financial statement of this report.

Pre-IPO Share Option Scheme

A Pre-IPO Share Option Scheme was conditionally adopted on 29 May 2015 and will expire on 2 July 2019. 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 the Group and/or the listing of Shares on the Stock Exchange. The eligible participant under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers 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.

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 shares as at the date of this report. 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. A total of 43 eligible participants were granted options under the Pre-IPO Share Option Scheme on 29 May 2015 ("Pre-IPO SOS Grant Date") . The top participant was granted 3,600,000 shares under the scheme.

HK$1.00 was payable by each Grantee as consideration for grant of the options. The exercise price in respect of each option granted under the Pre-IPO Share Option Scheme is HK$0.83. The board of directors of the Company determined the exercise price of the Pre-IPO Share Options by taking into account of, among other matters, (i) the contribution of the grantees, being employees of the Group, made or likely to make to the growth of the business of the Group; and (ii) the impact of the Pre-IPO Share Options on the financial results of the Group.

The Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme of the Company may be exercised by each grantee 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 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 1st anniversary date of the 3rd Vesting Date (both dates inclusive).

The following table discloses details of the Company's share options held by senior management and other employees and movements in such holding during the year ended 31 December 2015:

Name	As at 29 May 2015	Exercised	Cancelled	Lapsed	As at 31 December 2015	Approximate percentage of the total number of Shares in issue as at the date of this report
Senior management	1,260,000	–	–	–	1,260,000	0.15%
Other employees	19,764,000	–	–	2,160,000	17,604,000	2.20%
Total	21,024,000	–	–	2,160,000	18,864,000	2.35%

The valuation of options granted under the Pre-IPO Share Option Scheme was conducted based on the binomial model with the following assumptions:

		At Pre-IPO SOS Grant Date
(i)	Expected volatility	39.79 – 47.04% per year
(ii)	Expected life of options	2.1 – 4.1
(iii)	Average risk-free interest rate	0.44 – 0.87% per year
(iv)	Expected dividend yield	3.3% per year
(v)	Estimated rate of leaving service	0% 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 Group recognised the total expense of HK$8,500,000 (2014: nil) for the year ended 31 December 2015 in relation to Pre-IPO Share Option Scheme granted by the Company.

Share Option Scheme

A Share Option Scheme was conditionally adopted on 12 June 2015, which became effective on the Listing Date. The key terms of the scheme are set out below:

(1) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) ave had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

    (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

    (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

    Eligible Participants refers to:

    (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

    (ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;

    (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

    (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:

        (a) contribution to the development and performance of our Group;

        (b) quality of work performed for our Group;

        (c) initiative and commitment in performing his/her duties; and

        (d) length of service or contribution to our Group.

(2) The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 80,000,000 Shares (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 the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

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

(4) An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

(5) An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(6) Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period ending 12 June 2025.

(7) The exercise price is determined by the directors of the Company at their discretion and will not be lower than the higher of: (a) the closing price of the ordinary shares on the Stock Exchange at the offer date, which must be a trading day; (b) the average closing price of the ordinary shares on the Stock Exchange for the 5 business days immediately preceding the offer date; (c) the nominal value of the Company's share.

Directors' Report

On 27 July 2015 (the "SOS Grant Date"), share options to subscribe for a total of 2,000,000 Shares, representing approximately 0.25% of the total number of Shares in issue as at the date of this report, were granted to Mr. Huang Erwin Steve, a non-executive Director, pursuant to the Share Option Scheme. The exercise price of the share options granted is HK$3.46. Maximum of 50% of the Share Options shall become vested and exercisable on the 1st anniversary date of the Grant 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 3rd anniversary date of the 1st Vesting Date (both dates inclusive). Maximum of 50% of the Share Options shall become vested and exercisable on the 2nd anniversary date of the Grant Date (the "2nd Vesting Date"), and the exercise period in respect thereof shall commence on the 2nd Vesting Date and end on the day immediately before the 3rd anniversary date of the 2nd Vesting Date (both dates inclusive). The closing price of the Shares immediately before the SOS Grant Date is HK$3.46.

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 78,000,000 Shares, representing approximately 9.75% of the total number of Shares in issue.

None of the above share options was exercised or cancelled or lapsed during the year ended 31 December 2015 and therefore the balance of the outstanding share options as of 31 December 2015 remain the same as SOS Grant Date.

The valuation of options granted under the Share Option Scheme was conducted based on the binomial model with the following assumptions:

		At the SOS Grant Date
(i)	Expected volatility	45.69–46.80% per year
(ii)	Expected life of options	2.5
(iii)	Average risk-free interest rate	1.47–1.66% per year
(iv)	Expected dividend yield	3.93% per year
(v)	Estimated rate of leaving service	0% per year

The Group recognised the total expense of HK$555,000 (2014: nil) for the year ended 31 December 2015 in relation to Share Option Scheme granted by the Company.

RELATED PARTY TRANSACTIONS

The details of the related party transactions are set out in note 34 to the financial statements. The Company confirms that in relation to the related party transactions for the year ended 31 December 2015, it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 34 to the financial statements constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

In FY 2014, the Group entered into property leasing with Xinyongyi which constituted continuing connected transactions under Chapter 14A of the Listing Rules and are continuing after the Listing.

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 the Company under the Listing Rules.

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 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 may terminate the Property Leasing Framework Agreement by paying a penalty equivalent to six months' rent to the other party.

The actual amount in FY 2015 in respect of the above leasing was HK$6,074,000, which is within the annual cap of HK$6,400,000.

The Group has followed the internal policies and guidelines when determining the price and terms of above transactions.

The independent non-executive directors of the Company have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) according to the agreements governing such transactions that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has formulated some policies in accordance with environmental regulations, including, during the stage of design, research and development, conducting environmental impact assessment for various types of materials or machines prior to making any purchasing decision; enhancing awareness of environmental protection among all employees by organizing environmental protection activities, training programmes and promotions. Top management of the Group plays a leading role in establishing a well-defined structure and system for environmental management by outlining corresponding responsibility, scope and policy.

During the daily operations, the Group has paid close attention to the latest development of domestic and international environmental protection laws and regulations to ensure that the environmental policies are in line with domestic and international standards, as well as global development.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the subsidiaries of the Company in Hong Kong and the PRC while the shares of Company are listed on the Stock Exchange. The Group's establishment and operations shall comply with relevant laws and regulations in Hong Kong, the PRC and the respective place of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules and SFO.

During the year ended 31 December 2015 and up to the date of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

The Group's success also relies on the support of major stakeholders including employees, customers, suppliers, regulators and shareholders.

Employees

Employees are considered to be the most important and valuable assets of the Group. The purpose of human resources management of the Group is to reward and praise the staff with excellent performances through the provision of reasonable remuneration package, please refer to the paragraph above headed "Employees and emoluments policy" in this report for further details of the Group's remuneration policy. Besides, the Group formulates an appropriate training plan based on various positions and duties and titles and provides certain opportunities and platforms to assist them to develop and get promoted within the Group.

Customers

The major customers of the Group include well-known camera brands, established technology equipment brands, major internet company etc. The Group is committed to providing its customers with quality products and services so as to strive for sustained growth in respect of revenue and profitability. The Group has adopted various means to strengthen communication with its customers to provide excellent and quality products and services so as to increase market penetration and expand its various businesses.

Suppliers

Maintaining good relationships with the suppliers is essential to the Group in respect of the supply chain and when facing business challenges and regulatory requirements. It can achieve cost efficiency and promote long term commercial benefits. Major suppliers include raw material suppliers, system and equipment suppliers, external consultants providing professional services, suppliers of office supplies or commodities and other business partners providing the Group with value added services.

Regulators

As a company listed in Hong Kong, the Company is subject to the regulation of the Securities and Futures Commission of Hong Kong, the Stock Exchange, State Administration of Work Safety of the PRC, General Administration of Quality Supervision, Inspection and Quarantine of the PRC and other relevant regulators. The Group expects to constantly update and ensure compliance with new rules and regulations.

Shareholders

One of the corporate objectives of the Group is to enhance the corporate value for its shareholders. The Group distributes certain dividends to its shareholders in order to reward for their support while boosting its business development to achieve the sustainable profit growth and taking into account the capital adequacy level, liquidity and its business expansion needs.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules from Listing Date up to the date of this report.

AUDITORS

Ernst & Young, the auditors of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment.

By the order of the Board
Tang Wing Fong Terry
Chairman

Hong Kong
23 March 2016

Independent Auditors' Report

EY 安永

To the shareholders of Sky Light Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sky Light Holdings Limited (the "Company") and its subsidiaries set out on pages 52 to 123, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
23 March 2016

Consolidated Statements of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
REVENUE	6	**2,736,152**	2,092,385
Cost of sales		**(2,190,009)**	(1,646,618)
Gross profit		**546,143**	445,767
Other income and gains	6	**32,183**	7,946
Selling and distribution expenses		**(24,344)**	(15,580)
Administrative expenses		**(145,938)**	(94,961)
Research and development costs		**(136,087)**	(83,379)
Other expenses		**(14,179)**	(10,582)
Finance costs	8	**(3,935)**	(2,727)
PROFIT BEFORE TAX	7	**253,843**	246,484
Income tax expense	11	**(40,326)**	(44,596)
PROFIT FOR THE YEAR		**213,517**	201,888
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		**(247)**	(76)
Exchange differences on translation of foreign operations		**(23,085)**	47
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(23,332)**	(29)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**190,185**	201,859

Consolidated Statements of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Profit attributable to:			
Owners of the parent		**213,517**	201,906
Non-controlling interests		**–**	(18)
		213,517	201,888
Total comprehensive income attributable to:			
Owners of the parent		**190,185**	201,877
Non-controlling interests		**–**	(18)
		190,185	201,859
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in HK$ per share)	13	**0.30**	0.34
Diluted (expressed in HK$ per share)	13	**0.30**	0.34

Consolidated Statements of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**141,064**	101,260
Prepaid land lease payments	16	**2,895**	2,990
Intangible assets	15	**11,529**	6,315
Available-for-sale investments	20	**7,750**	–
Non-current prepayments	21	**13,881**	11,382
Deferred tax assets	26	**5,354**	2,634
Total non-current assets		**182,473**	124,581
CURRENT ASSETS			
Inventories	17	**286,119**	192,996
Trade receivables	18	**245,466**	251,235
Bills receivable		**10,551**	18,148
Available-for-sale investments	20	**2,831**	70,263
Due from related parties	34	**1,682**	1,792
Prepayments, deposits and other receivables	21	**98,520**	67,826
Pledged deposits	22	**40,679**	27,001
Cash and cash equivalents	22	**629,990**	167,167
Total current assets		**1,315,838**	796,428
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	**212,009**	164,826
Trade payables	24	**164,064**	275,215
Bills payable		**487**	1,390
Dividend payable		**–**	150,000
Other payables and accruals	25	**99,690**	79,570
Derivative financial instruments	19	**3,693**	6,107
Tax payable		**6,061**	22,156
Due to related parties	34	**650**	1,793
Total current liabilities		**486,654**	701,057
NET CURRENT ASSETS		**829,184**	95,371
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,011,657**	219,952

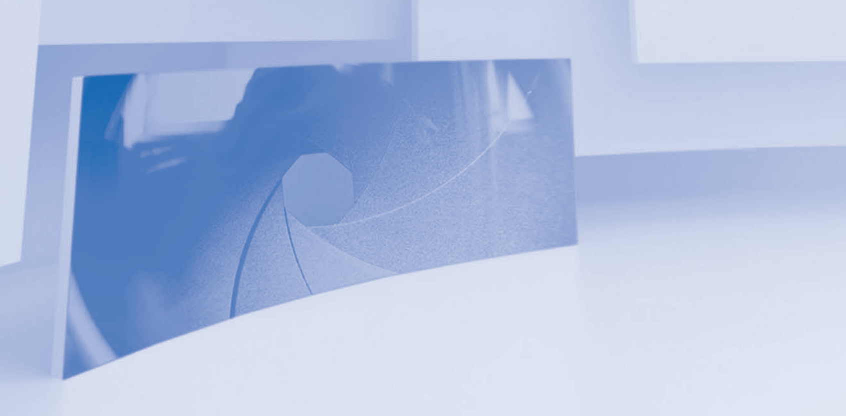
Consolidated Statements of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**871**	871
Total non-current liabilities		**871**	871
Net assets		**1,010,786**	219,081
EQUITY			
Equity attributable to owners of the Parent			
Share capital	27	**8,003**	10
Reserves	29	**1,002,783**	219,071
		1,010,786	219,081
Non-controlling interests		**–**	–
Total equity		**1,010,786**	219,081

Tang Wing Fong Terry
Director

Lu Yongbin
Director



Consolidated Statements of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital HK$'000 (note 27)	Share premium account HK$'000 (note 27)	Capital reserve HK$'000 (note 29)	Share option reserve HK$'000	Reserve fund HK$'000 (note 29)	Retained profits HK$'000	Exchange fluctuation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	10	–	148,730	–	26,597	34,516	9,228	219,081	–	219,081
Profit for the year	–	–	–	–	–	213,517	–	213,517	–	213,517
Other comprehensive loss for the year:										
Changes in fair value of available-for-sale investments	–	–	(247)	–	–	–	–	(247)	–	(247)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(23,085)	(23,085)	–	(23,085)
Total comprehensive income/(loss) for the year	–	–	(247)	–	–	213,517	(23,085)	190,185	–	190,185
Transfer from retained profits	–	–	–	–	10,453	(10,453)	–	–	–	–
Capitalisation issue	5,990	(5,990)	–	–	–	–	–	–	–	–
Issue of shares	2,000	674,000	–	–	–	–	–	676,000	–	676,000
Issue of shares — allotment option	3	1,075	–	–	–	–	–	1,078	–	1,078
Share issue expenses	–	(35,721)	–	–	–	–	–	(35,721)	–	(35,721)
Forfeited share options	–	–	–	(873)	–	–	–	(873)	–	(873)
Equity-settled share option arrangements	–	–	–	9,055	–	–	–	9,055	–	9,055
2015 Interim dividend (note 12)	–	–	–	–	–	(48,019)	–	(48,019)	–	(48,019)
At 31 December 2015	8,003	633,364#	148,483#	8,182#	37,050#	189,561#	(13,857)#	1,010,786	–	1,010,786

Consolidated Statements of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the Company							
	Share capital HK$'000 (note 27)	Capital reserve HK$'000 (note 29)	Reserve fund HK$'000 (note 29)	Retained profits HK$'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/ (loss) 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/ (loss) 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 12)	–	–	–	(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$1,002,783,000 and HK$219,071,000 in the consolidated statements of financial position as at 31 December 2015 and 2014, respectively.

Consolidated Statements of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**253,843**	246,484
Adjustments for:			
Finance costs	8	**3,935**	2,727
Interest income	6	**(2,580)**	(3,011)
Write-down of inventories to net realisable value	7	**26,408**	3,705
Fair value (gains)/losses, net:			
Derivative instruments — transactions not qualifying as hedges	7	**(2,415)**	6,107
Depreciation	7	**25,768**	22,348
Amortisation of prepaid land lease prepayments	7	**95**	95
Amortisation of intangible assets	7	**666**	286
Loss on disposal of items of property, plant and equipment	7	**2,070**	1,098
Listing expenses		**22,978**	4,571
Equity-settled share option expense		**8,182**	–
		338,950	284,410
Increase in inventories		**(119,531)**	(33,281)
Decrease in trade and bills receivables		**13,366**	61,497
Decrease in amounts due from related parties		**110**	1,528
Increase in prepayments, deposits and other receivables		**(35,446)**	(15,694)
(Decrease)/increase in trade and bills payables		**(112,054)**	4,453
(Decrease)/increase in amounts due to related parties		**(1,143)**	1,695
Increase in other payables and accruals		**20,120**	16,816
Cash generated from operations		**104,372**	321,424
Tax paid		**(59,141)**	(28,837)
Net cash flows generated from operating activities		**45,231**	292,587

Consolidated Statements of Cash Flows

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(83,356)**	(55,800)
Decrease in available-for-sale investments		**59,682**	9,205
Interest received		**2,580**	3,011
(Increase)/decrease in pledged deposits		**(13,678)**	10,186
Gross proceeds from disposals of items of property, plant and equipment		**1,199**	2,381
Net cash flows used in investing activities		**(33,573)**	(31,017)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**212,009**	164,826
Repayments of bank loans		**(164,826)**	(172,342)
Interest paid		**(3,935)**	(2,727)
Dividends paid		**(198,019)**	(181,907)
Decrease in amounts due to related parties		**–**	(56,691)
Payment of listing expenses		**(53,946)**	(9,060)
Proceeds from issue of shares		**677,078**	59,360
Net cash flows generated from/(used in) financing activities		**468,361**	(198,541)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**480,019**	63,029
Cash and cash equivalents at beginning of year		**167,167**	104,138
Effect of foreign exchange rate, net		**(17,196)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**629,990**	167,167

Notes to Financial Statements

31 December 2015

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 shares of the Company were listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 July 2015 (the "Listing Date").

The Company is an investment holding company. During the reporting period, the Company's subsidiaries were principally engaged in:

- Manufacture and distribution of action camera products and related accessories
- Manufacture and distribution of home imaging products
- 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 are Fortune Six Investment Ltd., a company incorporated in the British Virgin Islands.

In preparation for the listing of the shares of the Company on the Stock Exchange, the Group underwent a corporate reorganisation (the "Reorganisation"), pursuant to which the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 19 June 2015 (the "Prospectus").

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries

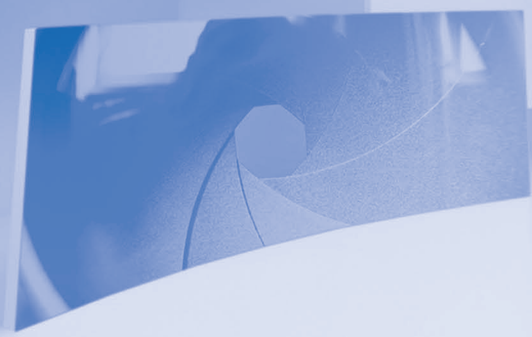
Particulars of the Company's principal subsidiaries are as follows:

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")	Hong Kong 22 August 2006	HK$22,000,000	100%	–	Investment holding
Sky Light Electronics (Shenzhen) Limited ("Sky Light Shenzhen") # 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")(a)	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")	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 (Heyuan) Limited ("Sky Light Technology") # 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

\# 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:

(a) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.



2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, 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 statements have 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 financial periods presented.

These financial statements have been prepared 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

As aforementioned, the financial statements have been prepared using the pooling-of-interests method.

The pooling-of-interests method involves incorporating the financial statement items of the combining entities or businesses which underwent the Reorganisation under common control as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the existing book values. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of investment at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of profit or loss and other comprehensive income included the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the Reorganisation under common control.

The consolidated statement of profit or loss and other comprehensive income, cash flows and changes in equity for the financial periods presented include the results and cash flows and changes in equity of the Company and its subsidiaries as if the structure immediately after the Reorganisation had been in existence throughout the financial periods presented or since their respective dates of incorporation or establishment, where this is a shorter period. The consolidated statements of financial position as at 31 December 2015 and 2014 have been prepared to present the financial position of the Group as if the structure immediately after the Reorganisation of the Group had been in existence and in accordance with the respective equity interests in the individual companies attributable to the Company as at the respective dates.

2.1 BASIS OF PRESENTATION *(Continued)*

Basis of consolidation *(Continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS *19 Defined Benefit Plans: Employee Contributions*
Annual Improvements to *HKFRSs 2010–2012 Cycle*
Annual Improvements to *HKFRSs 2011–2013 Cycle*

Other than as explained below regarding the impact of the standards, the adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendment that is effective for the current year are as follows:

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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 these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10, and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative* [1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements to HKFRSs 2012–2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 *Effective for annual periods beginning on or after 1 July 2016*
2 *Effective for annual periods beginning on or after 1 January 2018*
3 *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*
4 *No mandatory effective date yet determined but is available for adoption*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the reporting period 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties (Continued)

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 profit or loss 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 profit or loss so as to provide a constant periodic rate of charge over the lease term.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (Continued)

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 and other comprehensive income. 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 and other comprehensive income. The loss arising from impairment is recognised in the consolidated statements of profit or loss and other comprehensive income 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (Continued)

Available-for-sale investments *(Continued)*

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (Continued)

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 profit or loss. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and other comprehensive income. The net fair value gain or loss recognised in the consolidated statements of profit or loss and other comprehensive income 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 profit or loss 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 profit or loss.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax (Continued)

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.

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 profit or loss over the expected useful life of the relevant asset by equal annual instalments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 statement of profit or loss and other 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 difference 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:

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

Judgement *(Continued)*

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 2015 and 2014, were HK$141,064,000 and HK$101,260,000, respectively. Further details are given in note 14.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

Estimation uncertainty (Continued)

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 sale of action camera and related accessories during the reporting period. 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

	2015 **HK$'000**	2014 HK$'000
United States of America	**2,469,722**	1,786,932
Mainland China	**138,145**	135,647
European Union	**82,125**	62,685
Other overseas countries	**46,160**	107,121
	2,736,152	2,092,385

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information (Continued)

(b) Non-current assets

	2015 HK$'000	2014 HK$'000
Mainland China	**163,662**	116,469
Hong Kong	**13,457**	5,478
	177,119	121,947

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

Information about major customers

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

	2015 HK$'000	2014 HK$'000
Customer A	**1,818,341**	1,573,834
Customer B	**360,593**	22,713

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the reporting period.

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

	2015 HK$'000	2014 HK$'000
Revenue		
Sale of goods	**2,736,152**	2,092,385
Other income and gains		
Bank interest income	**2,580**	3,011
Government grants:		
Related to income*	**4,477**	1,653
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	**2,415**	–
Investment income from available-for-sale investments	**–**	2,350
Exchange gains	**19,528**	–
Others	**3,183**	932
	32,183	7,946

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

7. PROFIT BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		**2,163,601**	1,642,913
Depreciation	14	**25,768**	22,348
Amortisation of prepaid land lease payments*	16	**95**	95
Amortisation of intangible assets*	15	**666**	286
Auditors' remuneration		**2,600**	1,266
Research and development costs		**136,087**	83,379
Minimum lease payments under operating leases		**15,349**	8,112
Employee benefit expense (excluding directors' and chief executive's remuneration) (note 9)):			
Wages and salaries		**307,587**	224,697
Pension scheme contributions		**25,296**	15,907
		332,883	240,604
Write-down of inventories to net realisable value		**26,408**	3,705
Fair value (gains)/losses, net:			
Derivative instruments — transactions not qualifying as hedges		**(2,415)**	6,107
Exchange (gains)/losses, net		**(19,528)**	2,747
Loss on disposal of items of property, plant and equipment		**2,070**	1,098
Listing expenses		**22,978**	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

	2015 HK$'000	2014 HK$'000
Interest on bank loans	**3,935**	2,727

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Wu Yongmou and Mr. Lu Yongbin 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 Dr. 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 reporting periods for their appointment as management of these subsidiaries.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2015 HK$'000	2014 HK$'000
Fees	**480**	–
Other emoluments		
Salaries, allowances and benefits in kind	**2,490**	2,638
Performance-related bonuses	**119**	141
Equity-settled share option expense	**555**	–
Pension scheme contributions	**56**	53
	3,220	2,832
	3,700	2,832

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) *Independent non-executive directors*

Fees

	2015 HK$'000	2014 HK$'000
Mr. Chan Tsu Ming Louis	120	–
Dr. Cheung Wah Keung	120	–
Mr. Wong Kee Fung Kenneth	120	–
	360	–

(b) *Executive directors, non-executive directors*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015						
Executive directors:						
Mr. Tang Wing Fong Terry	–	816	179	–	16	1,011
Mr. Wu Yongmou	–	874	239	–	14	1,127
Mr. Lu Yongbin	–	382	119	–	26	527
	–	2,072	537	–	56	2,665
Non-executive directors:						
Mr. Huang Erwin Steve	120	–	–	555	–	675
Ms. Tang Kam Sau	–	–	–	–	–	–
	120	–	–	555	–	675
	120	2,072	537	555	56	3,340

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014						
Executive directors:						
Mr. Tang Wing Fong Terry	–	1,054	–	–	15	1,069
Mr. Wu Yongmou	–	1,300	–	–	8	1,308
Mr. Lu Yongbin	–	284	141	–	30	455
	–	2,638	141	–	53	2,832
Non-executive directors:						
Mr. Huang Erwin Steve	–	–	–	–	–	–
Ms. Tang Kam Sau	–	–	–	–	–	–
	–	–	–	–	–	–
	–	2,638	141	–	53	2,832

There was no arrangement under which a director waived or agreed to waive any remuneration during the reporting periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2015 and 2014, included 2 directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining 3 highest paid employees who are neither a director nor chief executive during the reporting periods are as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries, allowances and benefits in kind	**2,403**	1,781
Performance-related bonuses	**727**	804
Equity-settled share option expenses	**1,965**	–
Pension scheme contributions	**64**	73
	5,159	2,658

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2015	2014
Nil to HK$1,000,000	**2**	3
HK$1,000,000 to HK$1,500,000	**1**	–
	3	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the reporting periods.

11. INCOME TAX EXPENSE

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

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong from the reporting period.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income. Preferential tax treatments are available to two (2014: two) of the Group's principal operating subsidiaries, Sky Light Electronics (Shenzhen) Limited and Sky Light Technology (Heyuan) Limited, since they were recognised as High and New Technology Enterprises and they are entitled to a preferential tax rate of 15% for the reporting period.

	2015 **HK$'000**	2014 HK$'000
Charge for the year		
Current — Mainland China	**21,012**	15,589
Current — Hong Kong	**22,034**	32,173
Deferred	**(2,720)**	(3,166)
Total tax charge for the year	**40,326**	44,596

11. INCOME TAX EXPENSE *(Continued)*

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:

	2015		2014	
	HK$'000	**%**	HK$'000	%
Profit before tax	**253,843**		246,484	
Tax at the statutory tax rates	**58,660**	**23.11**	47,803	19.39
Entities subject to lower statutory income tax rates	**(22,382)**	**(8.82)**	(10,879)	(4.41)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries in Mainland China	**–**	**–**	7,640	3.10
Expenses not deductible for tax	**4,048**	**1.59**	279	0.11
Income not subject to tax	**–**	**–**	(247)	(0.10)
Tax charge at the Group's effective tax rate	**40,326**	**15.89**	44,596	18.09

12. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Dividends	–	283,754
Interim — HK6 cents (2014: Nil) per ordinary share	48,019	–
	48,019	283,754

	2015 HK$'000	2014 HK$'000
Proposed final — HK7.3 cents (2014: Nil) per ordinary share	58,423	–
	58,423	–

At the meeting of the Board held on 23 March 2016, the Board recommended a final dividend of HK7.3 cents per share (2014: nil) for the year ended 31 December 2015, amounting to an aggregate of HK$58,423,000 (2014: nil) based on the 800,319,000 shares of the Company issued as at the date of this report. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the "AGM"), the proposed final dividend will be payable on Friday, 24 June 2016 to the shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on Thursday, 2 June 2016.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as if the Reorganisation had been effective since 1 January 2014.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2015 includes the 1,000,000 ordinary shares in issue, 599,000,000 ordinary shares issued pursuant to the capitalisation issue as if the shares had been in issue throughout the year ended 31 December 2015 and 200,000,000 ordinary shares issued on 2 July 2015 and 319,000 ordinary shares allotted on 23 July 2015 in connection with the listing of the Company's ordinary shares on the Stock Exchange.

The number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2014 was based on the 600,000,000 ordinary shares, representing the number of shares of the Company immediately after the capitalisation issue, as if the shares had been in issue throughout the year ended 31 December 2014.

	2015	2014
Profit attributable to owners of the Parent (HK$'000)	**213,517**	201,906
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**700,416,000**	600,000,000
Effect of dilution — weighted average number of ordinary shares: Share options	**8,534,000**	–
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**708,950,000**	600,000,000
Basic earnings per share (HK$)	**0.30**	0.34
Diluted earnings per share (HK$)	**0.30**	0.34

14. PROPERTY, PLANT AND EQUIPMENT

	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 2015						
At 1 January 2015:						
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	7,215	2,228	84,606	1,910	5,301	101,260
At 1 January 2015, net of accumulated depreciation	7,215	2,228	84,606	1,910	5,301	101,260
Additions	–	2,486	62,625	1,710	7,786	74,607
Disposals	–	–	(1,164)	(577)	(1,528)	(3,269)
Depreciation provided during the year (note 7)	(307)	(723)	(21,427)	(557)	(2,754)	(25,768)
Exchange realignment	(301)	(112)	(4,939)	(112)	(302)	(5,766)
At 31 December 2015, net of accumulated depreciation	6,607	3,879	119,701	2,374	8,503	141,064
At 31 December 2015:						
Cost	7,098	9,054	175,812	3,985	17,415	213,364
Accumulated depreciation	(491)	(5,175)	(56,111)	(1,611)	(8,912)	(72,300)
Net carrying amount	6,607	3,879	119,701	2,374	8,503	141,064

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	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 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	2,121	2,977	73,170	2,081	6,256	86,605
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	7,215	2,228	84,606	1,910	5,301	101,260
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	7,215	2,228	84,606	1,910	5,301	101,260

Certain of the Group's banking facilities were secured by the Group's buildings with carrying values of, HK$1,994,000 and HK$2,058,000 as at 31 December 2015 and 2014 respectively. Certificates of ownership in respect of certain buildings of the Group located in Mainland China with net carrying values of HK$4,613,000 and HK$5,158,000 as at 31 December 2015 and 31 December 2014 have not yet been issued by the relevant Mainland China authorities. The Group is in the process of obtaining these certificates.

15. INTANGIBLE ASSETS

	Software HK$'000
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	**6,315**
Additions	**6,249**
Amortisation provided during the year (note 7)	**(666)**
Exchange realignment	**(369)**
At 31 December 2015, net of accumulated amortisation	**11,529**
At 31 December 2015:	
Cost	**13,953**
Accumulated amortisation	**(2,424)**
Net carrying amount	**11,529**
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	1,310
Additions	5,295
Amortisation provided during the year (note 7)	(286)
Exchange realignment	(4)
At 31 December 2014, net of accumulated amortisation	6,315
At 31 December 2014:	
Cost	7,704
Accumulated amortisation	(1,389)
Net carrying amount	6,315

16. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	3,085	3,181
Recognised during the year (note 7)	(95)	(95)
Exchange realignment	–	(1)
Carrying amount at 31 December	2,990	3,085
Current portion included in prepayments, deposits and other receivables (note 21)	(95)	(95)
Non-current portion	2,895	2,990

Certain of the Group's banking facilities were secured by the Group's prepaid land lease payments with carrying values of HK$2,990,000 and HK$3,085,000 as at 31 December 2015 and 2014 respectively.

The Group's leasehold land is situated in Hong Kong and held under a medium term lease.

17. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	142,953	87,839
Work in progress	70,463	66,725
Finished goods	72,703	38,432
	286,119	192,996

18. 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 aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 **HK$'000**	2014 HK$'000
Within 30 days	**115,833**	246,355
31 to 60 days	**124,836**	3,675
61 to 90 days	**3,327**	123
Over 90 days	**1,470**	1,082
	245,466	251,235

18. TRADE RECEIVABLES *(Continued)*

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

	Total	Neither past due nor impaired	Past due but not impaired Less than 60 days	Over 60 days
	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2015	**245,466**	**244,494**	**844**	**128**
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.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2015	2014
	HK$'000	HK$'000
Forward currency contracts	**3,693**	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 and losses on changes in the fair value amounting to HK$2,415,000 and HK$6,107,000 were recognised in profit or loss for the years 2015 and 2014, respectively.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Non-current assets		
Unlisted equity investments, at cost	**7,750**	–
Current		
Available-for-sale investments, at fair value	**2,831**	70,263

As at 31 December 2015 and 2014, the Group's current available-for-sale investments represented investments in several wealth management contracts and the fair values of the wealth management contracts approximated to their carrying amounts.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Non-current assets		
Non-current prepayments	**13,881**	11,382
Current assets		
Prepayments	**4,893**	9,400
Deposits and other receivables	**93,532**	58,331
Prepaid land lease payments (note 16)	**95**	95
	98,520	67,826

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.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	629,990	167,167
Time deposits	40,679	27,001
	670,669	194,168
Less: Pledged deposits		
Pledged for bank overdrafts (note 23)	(40,679)	(27,001)
Cash and cash equivalents	629,990	167,167
Cash and bank balances denominated in		
— Renminbi ("RMB")	175,245	55,810
— United States dollars ("US$")	196,822	72,009
— HK$	248,629	35,896
— Other currencies	9,294	3,452
Cash and cash equivalents	629,990	167,167

The RMB is not freely convertible into other currencies. However, under PRC 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.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
Current	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Bank loans — secured	0.8 ~ 2.1	2016	212,009	1.6 ~ 1.8	2015	164,826

Analysed into:	2015 HK$'000	2014 HK$'000
Bank overdrafts:		
Within one year	212,009	164,826

The Group's banking facilities amounting to HK$443,597,000 and HK$590,923,000 in 2015 and 2014 respectively, of which HK$212,009,000 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$40,679,000, and HK$27,001,000 at 31 December 2015 and 2014 respectively;

(ii) mortgages over the Group's buildings, which had aggregate carrying values amounting to HK$1,994,000 and HK$2,058,000 at 31 December 2015 and 2014 respectively; and

(iii) mortgages over the Group's prepaid land lease payments, which had aggregate carrying values amounting to HK$2,990,000 and HK$3,085,000 at 31 December 2015 and 2014 respectively.

24. TRADE PAYABLES

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

	2015 HK$'000	2014 HK$'000
Within 30 days	75,863	109,217
31 to 60 days	65,121	108,843
61 to 90 days	16,505	45,397
Over 90 days	6,575	11,758
	164,064	275,215

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

25. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Deposits received from customers	36,921	24,039
Other payables	18,588	5,365
Salary and welfare payables	43,809	50,058
Accruals	372	108
	99,690	79,570

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.

26. 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:

	Provision HK$'000
At 1 January 2014	3,746
Deferred tax charged to profit or loss during the year (note 11)	(1,113)
Exchange realignment	1
At 31 December 2014 and 1 January 2015	2,634
Deferred tax credited to profit or loss during the year (note 11)	2,720
At 31 December 2015	5,354

Deferred tax liabilities

The movements in deferred tax liabilities are as follows:

Group

	Withholding taxes HK$'000
At 1 January 2014	5,150
Deferred tax credited to profit or loss during the year (note 11)	(4,279)
At 31 December 2014, 1 January 2015 and At 31 December 2015	871

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 reporting 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.

27. SHARE CAPITAL

Shares

	2015 HK$'000	2014 HK$'000
Issued and fully paid 800,319,000 (2014: 1,000,000) ordinary shares	**8,003**	10

A summary of movements in the company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2014*	100	–	–	–
Issue of shares	999,900	10	–	10
At 31 December 2014 and 1 January 2015	1,000,000	10	–	10
Capitalisation issue (a)	599,000,000	5,990	(5,990)	–
Shares issued under the Initial Public Offering ("IPO") (b)	200,000,000	2,000	674,000	676,000
Shares issued under the over-allotment option (c)	319,000	3	1,075	1,078
	800,319,000	8,003	669,085	677,088
Share issue expenses	–	–	(35,721)	(35,721)
At 31 December 2015	**800,319,000**	**8,003**	**633,364**	**641,367**

* On 24 January 2014, each issued and unissued share of HK$1.00 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.

27. SHARE CAPITAL *(Continued)*

Shares (Continued)

Notes

(a) Pursuant to the written resolutions of the shareholders passed on 2 July 2015 (the "Resolutions"), subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of shares pursuant to the IPO, the Directors were authorised to allot and issue a total of 599,000,000 shares credited as fully paid at par to the holders of shares on the register of members of the Company on 2 July 2015 in proportion to their respective shareholdings by way of capitalisation of the sum of HK$5,990,000 standing to the credit of the share premium account of the Company, and the shares allotted and issued pursuant to the Resolutions rank pari passu in all respects with the existing issued shares.

(b) In connection with the Company's IPO, 200,000,000 shares of HK$0.01 each were issued at a price of HK$3.38 per share for a total cash consideration, before listing expenses, of HK$676,000,000. Dealings of these shares on the Stock Exchange commenced on 2 July 2015.

(c) On 17 July 2015, the sole global coordinator, partially exercised the over-allotment option on behalf of the international underwriters requiring the Company to issue and allot 319,000 additional shares (the "Over-allotment Shares"). The Over-allotment Shares have been issued and allotted by the Company at HK$3.38 per share, being the offer price under the IPO. Listing of and dealing in the Over-allotment Shares commenced on the Stock Exchange on 23 July 2015. In this regard, the total proceeds, before expenses, from the Over-allotment Shares approximated to HK$1,078,000, of which HK$3,190 and HK$1,075,000 were included in the issued capital and share premium, respectively.

28. SHARE OPTION SCHEMES

The Company has adopted two share option schemes (the "Schemes", including the "Pre-IPO Share Option Scheme" and the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Schemes include employees, advisers, consultants, agents, contractors, clients, suppliers and any other person(s) whom the board of directors of the Company, in their sole discretion, consider have contributed or may contribute to the Group.

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme became effective on 29 May 2015. The following share options were outstanding under the Pre-IPO Share Option Scheme of the Company during the period:

	Numbers of share options					
Date of grant	At 1 January 2015	Granted during the year	Forfeited during the year	At 31 December 2015	Exercise period (both dates inclusive)	Exercise price per share
29 May 2015	–	21,024,000	(2,160,000)	18,864,000	27 July 2016 to 26 July 2018	0.83

28. SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Option Scheme (Continued)

Notes:

a. One-third of these share options are exercisable on the 1st anniversary date of 2 July 2015, a further one-third are exercisable on the 2nd anniversary date of 2 July 2015, and the remaining one-third are exercisable on the 3rd anniversary date of 2 July 2015.

b. The fair value of the share options granted during the year was HK$24,973,000 (HK$1.19 each), of which the Group recognised a share option expense of HK$8,500,000 (2014: Nil) during the year ended 31 December 2015.

c. The following assumptions were used to derive the fair value, using the binomial model:

Options granted on 29 May 2015

		At grant date
(i)	Expected volatility	39.79 – 47.04% per year
(ii)	Expected life of options	2.1 – 4.1
(iii)	Average risk-free interest rate	0.44 – 0.87% per year
(iv)	Expected dividend yield	3.3% per year
(v)	Estimated rate of leaving service	0% per year

As at 31 December 2015, the Company had 18,864,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 18,864,000 additional ordinary shares of the Company and additional share capital of HK$188,640 and share premium of HK$38,483,000 (before issue expenses).

Share Option Scheme

The Share Option Scheme became effective on 12 June 2015. The following share options were outstanding under the Share Option Scheme of the Company during the period:

	Numbers of share options				
Date of grant	At 1 January 2015	Granted during the year	At 31 December 2015	Exercise period (both dates inclusive)	Exercise price per share
27 July 2015	–	2,000,000	2,000,000	27 July 2016 to 28 July 2018	3.46

28. SHARE OPTION SCHEMES *(Continued)*

Share Option Scheme (Continued)

Notes:

a. One-half of these share options are exercisable on the 1st anniversary date of 27 July 2015, and the remaining one-half are exercisable on the 2rd anniversary date of 27 July 2015.

b. The fair value of the share options granted during the year was HK$1,814,000 (HK$0.91 each), of which the Group recognised a share option expense of HK$555,000 (2014: Nil) during the year ended 31 December 2015.

c. The following assumptions were used to derive the fair value, using the binomial model:

Options granted on 27 July 2015

		At grant date
(vi)	Expected volatility	45.69 – 46.80% per year
(vii)	Expected life of options	2.5
(viii)	Average risk-free interest rate	1.47 – 1.66% per year
(ix)	Expected dividend yield	3.93% per year
(x)	Estimated rate of leaving service	0% per year

As at 31 December 2015, the Company had 2,000,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,000,000 additional ordinary shares of the Company and additional share capital of HK$20,000 and share premium of HK$8,714,000 (before issue expenses).

29. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statements of changes in equity of the Group.

Capital reserve

The Group's capital reserve represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation set out in note 1 over the nominal value of the Company's shares issued in exchange therefor, and represents the changes in fair value of available-for-sale investments.

Reserve 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.

30. PLEDGE OF ASSETS

Details of the Group's bank overdrafts, which are secured by the assets of the Group, are included in notes 14, 16 and 22 to the financial statements.

31. 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 five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**17,320**	5,601
In the second to fifth years, inclusive	**35,192**	3,485
	52,512	9,086

32. COMMITMENTS

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

	2015	2014
	HK$'000	HK$'000
Contracted, but not provided for:		
Plant and machinery	**6,976**	5,656

33. CONTINGENT LIABILITIES

The Group had no significant contingent liability as at the end of the reporting period.

34. RELATED PARTY TRANSACTIONS AND BALANCES

(1) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the reporting period:

		As at 31 December	
		2015	2014
	Notes	**HK$'000**	HK$'000
Rental expenses:			
XinYongYi Technology Park (Heyuan) Limited ("XinYongYi")	(i)	**6,074**	4,150

(i) The rental expenses were paid to XinYongYi, which was controlled by a director of a subsidiary of the Group, for a lease of plant and office premises located in Heyuan and were charged in the form of monthly rental of HK$506,000 and HK$345,875 for the years ended 31 December 2015 and 2014. The rental was determined according to negotiation with the counterparties.

(2) Compensation of key management personnel of the Group

	2015	2014
	HK$'000	HK$'000
Short term employee benefits	**4,329**	5,364
Equity-settled share option expense	**509**	–
Post-employment benefits	**101**	126
Total compensation paid to key management personnel	**4,939**	5,490

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

34. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(3) Outstanding balances with related parties

	As at 31 December	
	2015	2014
	HK$'000	HK$'000
Due from related parties		
XinYongYi	**1,645**	1,792
Shenzhen Yongyida Electronics Co., Ltd. ("Yongyida")	**37**	–
	1,682	1,792
Due to related parties		
YongYiDa	**128**	44
XinYongYi	**510**	1,737
Tang Wing Fong Terry	**–**	12
	638	1,793

These balances are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate to their fair values. All the above balances were generated from trading activities.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Trade receivables	245,466	–	245,466
Bills receivable	10,551	–	10,551
Financial assets included in deposits and other receivables	60,721	–	60,721
Pledged deposits	40,679	–	40,679
Cash and cash equivalents	629,990	–	629,990
Available-for-sale investments	–	10,581	10,581
Due from related parties	1,682	–	1,682
	989,089	10,581	999,670

2014

Financial assets	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Trade receivables	251,235	–	251,235
Bills receivable	18,148	–	18,148
Financial assets included in deposits and other receivables	32,246	–	32,246
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
	497,589	70,263	567,852

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2015

	Financial liabilities at amortised cost HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Total HK$'000
Interest-bearing bank loans	212,009	–	212,009
Trade payables	164,064	–	164,064
Bills payable	487	–	487
Financial liabilities included in other payables and accruals	62,769	–	62,769
Due to related parties	650	–	650
Derivative financial instruments	–	3,693	3,693
	439,979	3,693	443,672

2014

	Financial liabilities at amortised cost HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Total HK$'000
Interest-bearing bank loans	164,826	–	164,826
Trade payables	275,215	–	275,215
Bills payable	1,390	–	1,390
Financial liabilities included in other payables and accruals	55,531	–	55,531
Due to related parties	1,793	–	1,793
Derivative financial instruments	–	6,107	6,107
	498,755	6,107	504,862

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At 31 December 2015 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:

	2015 **HK$'000**	2014 HK$'000
Available-for-sale investments	**2,831**	70,263

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Liabilities measured at fair value:

	2015	2014
	HK$'000	HK$'000
Derivative financial instruments	**3,693**	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 reporting periods.

37. 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 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 98.8% 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 51.2% and 51.7% of inventory costs were denominated in the units' functional currencies for the years ended 31 December 2015 and 2014, respectively. The Group uses forward currency contracts to manage currency risk.

The following table demonstrates the sensitivity at the end of the reporting period 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk (Continued)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	HK$'000	HK$'000
As at 31 December 2015			
If HK$ weakens against US$	**5**	**7,539**	**6,295**
If HK$ strengthens against US$	**(5)**	**(7,539)**	**(6,295)**
If HK$ weakens against RMB	**5**	**184**	**16,820**
If HK$ strengthens against RMB	**(5)**	**(184)**	**(16,820)**
As at 31 December 2014			
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 98.0% and 77.8% of the Group's trade receivables were due from the Group's top five customers as at 31 December 2015 and 2014, respectively ,

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 2015 and 2014, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2015			
	On demand HK$'000	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Interest-bearing bank loans	–	212,009	–	212,009
Trade payables	–	164,064	–	164,064
Bills payable	–	487	–	487
Due to related parties	–	650	–	650
Financial liabilities included in other payables and accruals	62,769	–	–	62,769
Derivative financial instruments	–	3,693	–	3,693
	62,769	380,903	–	443,672

	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
	55,531	449,325	6	504,862

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 2015 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 ratio at the end of the reporting period was as follows:

	Group	
	2015	2014
Interest-bearing bank and other borrowings	**212,009**	164,826
Total equity	**1,010,786**	219,081
Gearing ratio	**21.0%**	75.2%

38. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2016 and 5 February 2016, the Company announced a series of business updates in relation to the fact that a significant decrease in revenue in the first quarter of 2016 was expected as a result of the Group's top customer's ("Top Customer") decision to discontinue the production of the HERO-line action cameras.

The Group is the manufacturer of HERO-line action cameras for the Top Customer. If the Top Customer does not place purchase orders for its other line(s) of action cameras with the Group and in the event that the Group is unable to secure orders from new customers or expand into other product categories to boost up its revenue, the Group may have difficulties in maintaining its utilisation rate and profitability at the level of the year ended 31 December 2015 and its business and results of operations for the year ending 31 December 2016 and thereafter could be materially and adversely affected.

39. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	22,000	22,000
Total non-current assets	22,000	22,000
CURRENT ASSETS		
Amounts due from subsidiaries	635,117	49,186
Prepayments	–	4,816
Dividend receivable	–	160,000
Cash and cash equivalents	943	1,588
Total current assets	636,060	215,590
CURRENT LIABILITIES		
Other payables	696	327
Dividend payable	–	150,000
Total current liabilities	696	150,327
NET CURRENT ASSETS	635,364	65,263
Net assets	657,364	87,263
EQUITY		
Issued capital	8,003	10
Reserves	649,361	87,253
Total equity	657,364	87,263

Tang Wing Fong Terry
Director

Lu Yongbin
Director

39. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

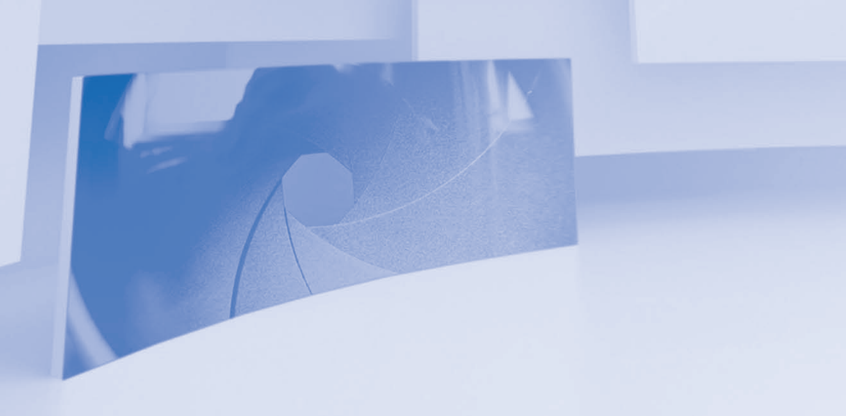
A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2014	–	–	–	–
Issue of shares	–	59,350	–	59,350
Capital reserve arising from the Reorganisation	–	22,000	–	22,000
Total comprehensive income for the year	–	–	289,658	289,658
Dividend declared	–	–	(283,755)	(283,755)
At 31 December 2014 and 1 January 2015	**–**	**81,350**	**5,903**	**87,253**
Total comprehensive loss for the year	**–**	**–**	**(23,237)**	**(23,237)**
Capitalisation issue	**(5,990)**	**–**	**–**	**(5,990)**
Issue of shares	**674,000**	**–**	**–**	**674,000**
Share issue — over-allotment option	**1,075**	**–**	**–**	**1,075**
Share issue expenses	**(35,721)**	**–**	**–**	**(35,721)**
Interim 2015 dividend	**–**	**–**	**(48,019)**	**(48,019)**
At 31 December 2015	**633,364**	**81,350**	**(65,353)**	**649,361**

The Company's capital reserve represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation set out in note 1 over the nominal value of the Company's shares issued in exchange therefor, and represents the changes in fair value of available-for-sale investments.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.



Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years is as follows.

	2015 **HK$'000**	2014 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	**2,736,152**	2,092,385	1,622,527	1,658,829
Gross profit	**546,143**	445,767	335,357	328,390
Gross profit margin	**20.0%**	21.3%	20.7%	19.8%
Profit before tax	**253,843**	246,484	201,407	213,607
Profit for the year	**213,517**	213,517	165,033	171,521
Net profit margin	**7.8%**	10.2%	10.2%	10.3%
Profit attributable to owners of the Company	**213,517**	201,906	147,439	122,617
Profit attributable to non-controlling interests	**–**	(18)	17,594	48,904
Cash and bank balances	**629,990**	167,167	104,138	218,639
Bank and other borrowings	**212,009**	164,826	172,342	82,478
Total assets	**1,498,311**	921,009	862,483	670,205
Total liabilities	**487,525**	701,928	620,798	326,348
Equity attributable to owners of the Company	**1,010,786**	219,081	241,598	255,095
Non-controlling interests	**–**	–	87	88,762
Total equity	**1,010,786**	219,081	241,685	343,857