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## SKY LIGHT HOLDINGS LIMITED

### 天彩控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3882)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>2016</b>	2015	CHANGE
	<i>HK\$'000</i>	<i>HK\$'000</i>	
<b>REVENUE</b>	<b>1,339,611</b>	2,736,152	-51.0%
<b>GROSS PROFIT MARGIN (%)</b>	<b>24.3%</b>	20.0%	+4.3 p.p.t.
<b>PROFIT FOR THE YEAR</b>	<b>53,728</b>	213,517	-74.8%
ADJUSTED BY:			
LISTING EXPENSE	-	22,978	N/A
SHARE OPTION EXPENSE	<b>10,022</b>	8,182	+22.5%
SHARE AWARD EXPENSE	<b>641</b>	-	N/A
<b>PROFIT FOR THE YEAR BEFORE LISTING EXPENSE</b>	<b>53,728</b>	236,495	-77.3%
<b>PROFIT FOR THE YEAR BEFORE LISTING EXPENSE, SHARE OPTION AND SHARE AWARD EXPENSES</b>	<b>64,391</b>	244,677	-73.7%
<b>CASH AND BANK BALANCES (NOTE)</b>	<b>490,836</b>	673,500	-27.1%
<b>TOTAL EQUITY</b>	<b>1,023,313</b>	1,010,786	+1.2%
<b>INTERIM DIVIDENDS</b>	-	48,019	N/A
<b>FINAL DIVIDENDS</b>	<b>27,177</b>	58,423	-53.5%
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENTS</b>			
Basic (HK cents)	6.6	30.5	-78.4%
Diluted (HK cents)	6.6	30.1	-78.1%

*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.

The board (the “Board”) of directors (the “Directors”) of Sky Light Holdings Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016 (“FY 2016”), together with the comparative figures for the year ended 31 December 2015 (“FY 2015”).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>REVENUE</b>	5	<b>1,339,611</b>	2,736,152
Cost of sales		<u>(1,014,204)</u>	<u>(2,190,009)</u>
<b>Gross profit</b>		<b>325,407</b>	546,143
Other income and gains	5	<b>28,541</b>	32,183
Selling and distribution expenses		<b>(35,773)</b>	(24,344)
Administrative expenses		<b>(114,525)</b>	(145,938)
Research and development expenses		<b>(133,062)</b>	(136,087)
Other expenses		<b>(7,015)</b>	(14,179)
Finance costs	7	<u><b>(1,935)</b></u>	<u>(3,935)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>61,638</b>	253,843
Income tax expense	8	<u><b>(7,910)</b></u>	<u>(40,326)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>53,728</b></u>	<u>213,517</u>
Attributable to:			
Owners of the parent		<u><b>53,728</b></u>	<u>213,517</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic		<u><b>HK6.6 cents</b></u>	<u>HK30.5 cents</u>
Diluted		<u><b>HK6.6 cents</b></u>	<u>HK30.1 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<u><b>53,728</b></u>	<u>213,517</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	<b>(186)</b>	(247)
Exchange differences on translation of foreign operations	<u><b>(30,047)</b></u>	<u>(23,085)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<u><b>(30,233)</b></u>	<u>(23,332)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>23,495</b></u>	<u>190,185</u>
Attributable to:		
Owners of the parent	<u><b>23,495</b></u>	<u>190,185</u>

Details of the final dividends proposed for the year ended 31 December 2016 are disclosed in note 9 to the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	<b>2015</b> <b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>121,387</b>	141,064
Prepaid land lease payments		<b>2,800</b>	2,895
Goodwill		<b>93,089</b>	–
Other intangible assets		<b>37,512</b>	11,529
Available-for-sale investments		<b>61,180</b>	7,750
Non-current prepayments		<b>6,879</b>	13,881
Deferred tax assets		<b>13,437</b>	5,354
		<hr/>	<hr/>
Total non-current assets		<b>336,284</b>	182,473
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>169,788</b>	286,119
Trade receivables	<i>12</i>	<b>285,823</b>	245,466
Bills receivable		<b>9,610</b>	10,551
Available-for-sale investments		<b>10,400</b>	2,831
Due from related parties		<b>1,184</b>	1,682
Prepayments, deposits and other receivables		<b>91,136</b>	98,520
Pledged deposits		–	40,679
Cash and cash equivalents		<b>480,436</b>	629,990
		<hr/>	<hr/>
Total current assets		<b>1,048,377</b>	1,315,838
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>13</i>	<b>100,984</b>	212,009
Trade payables	<i>14</i>	<b>171,831</b>	164,064
Bills payable		<b>2,593</b>	487
Other payables and accruals		<b>73,969</b>	99,690
Derivative financial instruments		–	3,693
Tax payable		<b>5,475</b>	6,061
Due to related parties		<b>370</b>	650
		<hr/>	<hr/>
Total current liabilities		<b>355,222</b>	486,654
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>693,155</b>	829,184
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,029,439</b>	1,011,657
		<hr/>	<hr/>

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><b>1,029,439</b></u>	<u>1,011,657</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<u><b>6,126</b></u>	<u>871</u>
Total non-current liabilities	<u><b>6,126</b></u>	<u>871</u>
<b>Net assets</b>	<u><u><b>1,023,313</b></u></u>	<u><u>1,010,786</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>8,493</b>	8,003
Shares held for share award scheme	<b>(14,000)</b>	–
Reserves	<u><b>1,028,820</b></u>	<u>1,002,783</u>
	<u><b>1,023,313</b></u>	<u>1,010,786</u>
<b>Total equity</b>	<u><u><b>1,023,313</b></u></u>	<u><u>1,010,786</u></u>

## **NOTES TO FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

The Company is a limited liability company incorporated in the Cayman Islands on 18 December 2013. The Company's registered office address is 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 Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in:

- Manufacture and distribution of home imaging products
- Manufacture and distribution of action camera products and related accessories
- Manufacture and distribution of digital imaging products
- Manufacture and distribution of other electronic products

In the opinion of the Directors, as at the date of this announcement, the immediate holding company and ultimate holding company of the Company are Fortune Six Investment Ltd., a company incorporated in the British Virgin Islands.

### **2. BASIS OF PREPARATION**

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 and all values are rounded to the nearest thousand except when otherwise indicated.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	<i>Amendments to a number of HKFRSs</i>

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- the materiality requirements in HKAS 1;
  - that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
  - that entities have flexibility as to the order in which they present the notes to financial statements; and
  - 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 amendments have had no significant impact on the Group's financial statements.

- (b) 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendment are as follows:
- HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

#### 4. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the manufacture and sale of digital cameras and related accessories during the year. 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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
United States of America	935,702	2,469,722
Mainland China	115,486	138,145
European Union	229,652	82,125
Hong Kong	44,136	18,808
Other countries	14,635	27,352
	<u>1,339,611</u>	<u>2,736,152</u>

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

(b) Non-current assets

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Mainland China	131,142	163,662
Hong Kong	124,773	13,457
Other countries	5,752	–
	<u>261,667</u>	<u>177,119</u>

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

##### Information about major customers

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A	476,546	360,593
Customer B	176,289	–
Customer C	117,962	1,818,341
	<u>770,797</u>	<u>1,818,341</u>



## 5. REVENUE, OTHER INCOME AND GAINS

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Revenue</b>		
Sale of goods	<u>1,339,611</u>	<u>2,736,152</u>
<b>Other income and gains</b>		
Bank interest income	5,497	2,580
Government grants:		
Related to income*	7,612	4,477
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	–	2,415
Gain on disposal of a subsidiary	58	–
Exchange gains	10,503	19,528
Others	<u>4,871</u>	<u>3,183</u>
	<u>28,541</u>	<u>32,183</u>

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

## 6. PROFIT BEFORE TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories sold	982,728	2,163,601
Depreciation	35,323	25,768
Amortisation of prepaid land lease payments	95	95
Amortisation of intangible assets*	1,652	666
Auditors' remuneration	2,183	2,600
Research and development expenses	133,062	136,087
Minimum lease payments under operating leases	16,872	15,349
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	260,936	307,587
Pension scheme contributions	18,546	25,296
Equity-settled share option expense	8,768	7,627
Equity-settled share award scheme expense	641	–
	<u>288,891</u>	<u>340,510</u>
Write-down of inventories to net realisable value	31,476	26,408
Fair value (gains)/losses, net:		
Derivative instruments — transactions not qualifying as hedges	765	(2,415)
Exchange gains, net	(10,503)	(19,528)
Loss on disposal of items of property, plant and equipment	2,083	2,070
Listing expenses	–	22,978
Bank interest income	(5,497)	(2,580)
Gain on disposal of a subsidiary	(58)	–

\* The amortisation of software is included in “Research and development expenses” and the amortisation of other intangible assets are included in “Selling and distribution expenses” in the consolidated financial statement of profit or loss.

## 7. FINANCE COSTS

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank loans	<u>1,935</u>	<u>3,935</u>

## 8. INCOME TAX EXPENSE

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

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatments were available for two (2015: two) of the Group’s principal operating subsidiaries, Sky Light Electronics (Shenzhen) Limited and Sky Light Technology (Heyuan) Limited, since they were recognised as High and New Technology Enterprises and they were entitled to a preferential tax rate of 15% during the year.

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current — Mainland China	<b>11,592</b>	21,012
Current — Hong Kong	<b>4,656</b>	22,034
Deferred	<b>(8,338)</b>	(2,720)
Total tax charge for the year	<u><b>7,910</b></u>	<u>40,326</u>

## 9. DIVIDENDS

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim — Nil (2015: HK6.0 cents) per ordinary share	–	48,019
Proposed final — HK3.2 cents (2015: HK7.3 cents) per ordinary share	<u>27,177</u>	<u>58,423</u>
	<u><b>27,177</b></u>	<u>106,442</u>

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

## 10. 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 of 810,714,000 (2015: 700,416,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent	<u>53,728</u>	<u>213,517</u>
<b>Number of Shares</b>		
	<b>2016</b>	2015
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>810,714,000</b>	700,416,000
Effect of dilution — weighted average number of ordinary shares: Share options and shares awarded	<u>1,464,000</u>	<u>8,534,000</u>
Adjusted weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u>812,178,000</u>	<u>708,950,000</u>
Basic earnings per share	<u>HK6.6 cents</u>	<u>HK30.5 cents</u>
Diluted earnings per share	<u>HK6.6 cents</u>	<u>HK30.1 cents</u>

## 11. INVENTORIES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Raw materials	<b>45,380</b>	142,953
Work in progress	<b>39,064</b>	70,463
Finished goods	<u>85,344</u>	<u>72,703</u>
	<u><b>169,788</b></u>	<u>286,119</u>

## 12. TRADE RECEIVABLES

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<b>285,823</b>	245,466
Impairment	–	–
	<u><b>285,823</b></u>	<u>245,466</u>

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 sets out in the sales contracts, as appropriate.

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

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

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	<b>252,171</b>	115,833
31 to 60 days	<b>14,206</b>	124,836
61 to 90 days	<b>6,844</b>	3,327
Over 90 days	<b>12,602</b>	1,470
	<u><b>285,823</b></u>	<u>245,466</u>

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<b>248,652</b>	244,494
Less than 60 days past due	<b>28,369</b>	844
Over 60 days past due	<b>8,802</b>	128
	<u><b>285,823</b></u>	<u>245,466</u>

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.

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

At 31 December 2016, all of the bank loans of the Group were repayable within one year with effective interest rates range from 1.8% to 2.2% per annum (2015: range from 0.8% to 2.1% per annum).

None of the Group's assets were pledged to secure the Group's bank loans as at 31 December 2016. Certain of the Group's bank loans as at 31 December 2015 were secured by:

- (i) the pledge of the Group's time deposits amounting to HK\$40,679,000;
- (ii) mortgages over the Group's buildings, with an aggregate carrying value amounting to HK\$1,994,000; and
- (iii) mortgages over the Group's prepaid land lease payments, with an aggregate carrying value amounting to HK\$2,990,000.

### 14. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the year, based on the invoice date, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	85,476	75,863
31 to 60 days	43,548	65,121
61 to 90 days	20,444	16,505
Over 90 days	22,363	6,575
	<u>171,831</u>	<u>164,064</u>

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

### 15. OPERATING LEASE ARRANGEMENTS

#### As lessee

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

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	14,808	17,320
In the second to fifth years, inclusive	26,087	35,192
After five years	4,040	–
	<u>44,935</u>	<u>52,512</u>

## 16. COMMITMENTS

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contracted, but not provided for:		
Unpaid investment amount	<b>22,359</b>	–
Plant and machinery	<b>2,576</b>	6,976
	<u><b>24,935</b></u>	<u>6,976</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The Group is principally engaged in sales, developing and manufacturing of home imaging products, virtual reality (“VR”) cameras, action cameras and related accessories and other digital imaging products such as car camcorders, police cameras and other imaging products for various purposes. In particular, the Group is one of the leading digital imaging device and solutions providers for the home imaging industry. Leveraging on our substantial experience spanning across a diverse range of digital imaging products, we differentiate ourselves from other manufacturers by offering design-driven joint design manufacturing (“JDM”) and original design manufacturing (“ODM”) solutions to customers.

Since our establishment, our core operations have mainly focused on imaging products. We have successfully shifted from our positioning as a traditional imaging products manufacturer to an action camera vendor, and further introduced home imaging products since 2014. We have successfully launched 360-degree cameras in July 2016 and expect that VR cameras (including 360-degree cameras) will be one of the major sources of our revenue in the coming years. We will continue our in-house development of VR cameras. During FY2016, we have also invested in some VR-related companies and successfully acquired iON Worldwide Inc. together with its subsidiaries (“iON Group”) to develop our VR brand along our value chain during the year.

After the acquisition of iON Group, we have strategically separated our business into two divisions: smart manufacturing and branding. In the smart manufacturing business (primarily consisting of JDM and ODM), we are continually dedicated to offering design-driven JDM and ODM solutions to our customers to cover in and around home monitor and/or control. In our branding business, we will use iON brand for VR cameras.

In FY 2016, the Group’s turnover significantly declined by approximately HK\$1,396.6 million to approximately HK\$1,339.6 million from approximately HK\$2,736.2 million in FY 2015, which was primarily due to the significant reduction in sales of action cameras to the predecessor top customer (“Predecessor Top Customer”) of the Group, which was partially offset by the revenue derived from the Group’s continually growing home imaging business and its newly launched VR business during the year.

The revenue from the action cameras and accessories business during FY 2016 was mainly derived from the sales of accessories to the Predecessor Top Customer. The Group continues to provide accessories to the Predecessor Top Customer after its discontinuance of HERO-line action cameras. For details, please refer to the Company’s announcement dated 5 February 2016.

Home imaging products have become our major revenue source following the significant decline in our revenue derived from action cameras and accessories, which contributed approximately 59.1% of our total revenue for FY 2016. Revenue of home imaging products increased from approximately HK\$541.9 million for FY 2015 to approximately HK\$792.2 million for FY 2016. The increase was mainly attributable to the Group’s strategy in focusing on high-end products designed for clients in the United States (“U.S.”).

The digital imaging business recorded a satisfactory increase in sales, mainly owing to the new shipment of police cameras to a leading police equipment provider in the U.S. since December 2015.

On 3 October 2016, a total of 48,000,000 new Shares were allotted and issued by the Company at the subscription price of HK\$1.05 per Share pursuant to a placing (the “Placing”). The gross proceeds and the net proceeds raised by the company pursuant to the Placing are HK\$50.4 million and HK\$49.7 million, respectively. The Company used all the net proceeds to fund the acquisition of the iON Group and investment into Kandao Lightforge Co., Ltd. For further details, please refer to the paragraphs headed “Events after the reporting period” and “Material acquisitions and disposals of subsidiaries and associated companies” in this announcement and the Company’s announcements dated 8 September 2016 and 3 October 2016.

## **Prospects**

We perceive the year of 2016 was the year of VR and we expect that the VR market will undergo a strong growth in the coming few years. The immersive, 360-degree digital experience can be widely applied in various industries, like E-commerce, videogames, live events, video entertainment, healthcare, real estate, education, engineering, etc. to simulate different environments. We are optimistic that the VR business will be one of the next multitrillion-dollar businesses.

The Group is pioneered in the VR industry and is proactive in seeking new projects and business opportunities at an early stage of development of VR market. The Group has successfully commenced shipping of 360-degree cameras to a leading China VR camera brand since July 2016. We have entered into co-operations and collaborations with some of the leading companies in the VR industry; and also have made investments in some companies which have synergy with its business along the VR value chain below:

- In July 2016, we successfully launched 360-degree cameras to the market;
- In August 2016, we invested an amount of US\$3.0 million in the share capital of CryWorks Inc. (now known as Holor Media Inc.) (“Holor”);
- In November 2016, we successfully completed the acquisition of iON Group and obtained the entire equity interests in the iON Group; and
- In October 2016 and January 2017, we invested RMB20,000,000, respectively, in the registered capital of Shenzhen Kandao Technology Limited (“Kandao”) and Kandao Lightforge Co., Ltd., a joint venture formed by the Group and Kandao.

For our own brand of VR cameras, on the premises of the above co-operations and collaborations between the Group and other key players in the VR value chain, the Board believes that the Group will be able to build its VR business under the iON brand, by leveraging the Group’s own manufacturing and research and development capability together with Kandao’s VR technological support and Holor’s VR content production capability. In addition, we are actively in the process of developing carrier channels in the U.S. We believe that carrier business has good synergy with our own brand 360-degree cameras by connecting phones to enable live streaming function. Our 360-degree cameras range from professional grade to consumer grade, which are further divided into attach-to-phone and standalone varieties.



For smart manufacturing business, the demands for more advanced cloud applications, lower power consumption, higher definition, stronger interaction, better storage and connectivity have contributed to the remarkable market growth. We will continue to expand our smart manufacturing efforts by leveraging research and development expertise and manufacturing excellence to fulfill customers' market needs. We also target to introduce various smart imaging products to the market, such as baby monitor camera, doorbell camera, with advanced features such as image analytics, voice control, etc.

We expect our home imaging products and VR cameras will contribute to a larger share of the Group's revenue in the next few years. Capitalizing on our well-defined strategy and solid business foundation, the management has confidence in the Group's future prospects and that it will continue to create value for our shareholders ("Shareholders").

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:

- Create and promote our own brands for VR cameras via carrier channels
- 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
- Selectively pursue merger and acquisition opportunities, as well as investment opportunities, along the value chain

## **FINANCIAL REVIEW**

### **Turnover**

Our products mainly consist of the following three categories: (i) home imaging products, (ii) action cameras and accessories, and (iii) digital imaging (including VR cameras) products. We generate revenue predominantly from sales of these products, as well as from sales of other electronic products such as smart wearable products and tooling fees associated with products that we manufacture for customers. We expect the contribution from home imaging products and new imaging products (especially for VR cameras) will increase significantly in the next few years. The following tables set out the breakdown of our revenue from sales of major products by product type for the periods indicated:

	2016		2015		Revenue change
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	
<b>Major products</b>					
Home imaging products	<b>792,215</b>	<b>59.1%</b>	541,930	19.8%	46.2%
Action cameras and accessories	<b>186,958</b>	<b>14.0%</b>	1,906,700	69.7%	-90.2%
Digital imaging products	<b>333,647</b>	<b>24.9%</b>	198,671	7.3%	67.9%
Others	<b>26,791</b>	<b>2.0%</b>	88,851	3.2%	-69.8%
Total	<b><u>1,339,611</u></b>	<b><u>100.0%</u></b>	<b><u>2,736,152</u></b>	<b><u>100.0%</u></b>	<b><u>-51.0%</u></b>

For FY 2016, the Group has recorded a turnover of approximately HK\$1,339.6 million (FY 2015: approximately HK\$2,736.2 million), representing a significant decrease of approximately 51.0% as compared to FY 2015. This decrease was mainly attributable to the significant reduction in the shipment units of action cameras to the Predecessor Top Customer during FY 2016.

We sell our products mainly to customers in the U.S. and expect the U.S. market will continue to account for majority of our revenue in the foreseeable future. The significant decrease in the sales in the U.S. was due to the decrease in the sales to the Predecessor Top Customer, which is a U.S. based client. The significant increase in the sales in the European Union was attributable to delivery of home cameras to a U.S. client's subsidiary which was located in European Union. The following table sets out the breakdown of revenue by location of our customers for the periods indicated:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
United States of America	<b>935,702</b>	2,469,722
Mainland China	<b>115,486</b>	138,145
European Union	<b>229,652</b>	82,125
Hong Kong	<b>44,136</b>	18,808
Other countries	<b>14,635</b>	27,352
	<b><u>1,339,611</u></b>	<b><u>2,736,152</u></b>

### Cost of sales

Cost of sales represents costs and expenses directly attributable to the manufacture of our products which 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 2016, cost of sales of the Group amounted to approximately HK\$1,014.2 million (FY 2015: approximately HK\$2,190.0 million), representing a decrease of approximately 53.7% as compared to FY 2015, and amounted to approximately 75.7% (FY 2015: approximately 80.0%) of our turnover during the year. This decrease was mainly attributable to a substantial decrease in consumption of the raw materials, components and parts as we shipped much less action cameras and we have applied strict cost control during FY 2016.

### **Gross profit and gross profit margin**

The Group recorded a gross profit of approximately HK\$325.4 million for FY 2016 (FY 2015: approximately HK\$546.1 million), representing a decrease of approximately 40.4% as compared to FY 2015. The gross profit margin increased from approximately 20.0% for FY 2015 to approximately 24.3% for FY 2016. The increase was mainly due to (i) the depreciation of Renminbi (“RMB”) against U.S. dollar (“US\$”), which lowered our production costs as more than 50% of our inventory cost were settled by RMB while majority of our revenue were denominated in the US\$; and (ii) the Group improved production efficiency by optimizing the manufacturing process and human resources management.

### **Other income and gains**

Other income and gains include mainly (i) bank interest income; (ii) government grants, which mainly consist of rewards and subsidies for research activities granted by the local government with no unfulfilled conditions or contingencies; (iii) fair value gains or losses from derivative financial instruments, which relates to forward currency contracts that we used to manage our foreign currency risk; and (iv) exchange gains or loss arising mainly from fluctuation of RMB against US\$ between the invoice and settlement dates of our sales and purchases, and from translation of our US\$-denominated trade payables and receivables.

For FY 2016, other income and gains of the Group decreased by approximately 11.3% to HK\$28.5 million as compared to FY 2015, which was primarily attributable to a decrease of HK\$9.0 million in exchange gains, which was partially offset by the increase of income derived from government grant and bank interest income. The decrease in exchange gains was in line with the decrease in the settlement of receivables and payables denominated in US\$, which resulted from the significant decrease in the Group’s sales and purchases during 2016.

### **Selling and distribution expenses**

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

For FY 2016, selling and distribution expenses increased significantly by approximately 46.9% to HK\$35.8 million from HK\$24.3 million for FY 2015. This increase was mainly attributable to the launch of our new sales branch in the U.S..

## **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 2016, administrative expenses decreased by 21.5% to approximately HK\$114.5 million (FY 2015: HK\$145.9 million). The decrease was primarily due to the absence of an one-off expenses for approximately HK\$23.0 million in fees incurred in connection with the listing of the Company on the Stock Exchange on 2 July 2015 which were recognised in FY 2015.

## **Research and development expenses**

Research and development expenses 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 plannings, and (iii) other miscellaneous costs and expenses such as rental fees, design service fees, depreciation and certification fees.

For FY 2016, we recorded research and development expenses of approximately HK\$133.1 million, which remains stable when comparing to approximately HK\$136.1 million for FY 2015. Although our revenue scale decreased, we continue to invest heavily in developing VR cameras, home imaging models and other new products.

## **Finance costs**

For FY 2016, the finance costs of the Group were approximately HK\$1.9 million (FY 2015: HK\$3.9 million), representing a decrease of approximately 50.8% as compared to FY 2015. This decrease was attributable to a decrease in average borrowing of US\$ amounts from certain banks in Hong Kong for settlement of trade payables resulting from decreased purchases.

## **Income tax expense**

For FY 2016, the income tax expense of the Group was approximately HK\$7.9 million (FY 2015: approximately HK\$40.3 million), representing a significantly decrease of approximately HK\$32.4 million as compared to FY 2015.

Effective income tax rate decreased from 15.9% for FY 2015 to 12.8% for FY 2016, which was primarily attributable to tax credits were recognised for the taxable losses occurred in the U.S. subsidiary, being a company of the iON Group, which was newly acquired by the Group during the year.

## **Net profit**

As a result of the foregoing, net profit decreased by approximately 74.8% to approximately HK\$53.7 million for FY 2016 from approximately HK\$213.5 million for FY 2015.

Net profit margin decreased to approximately 4.0% for FY 2016, compared to approximately 7.8% in FY 2015, primarily as a result of our significant drop of revenue and gross profit, which was partially offset by slight decrease in overall expenses for FY 2016.

### Liquidity and capital resources

Our principal cash requirements are to pay for working capital needs, capital expenditures for the expansion and upgrade of production facilities, merger and acquisitions along our value chain, and investments in start-up companies which have synergy with the Group. We meet these cash requirements by relying on net cash flows generated from operating activities and proceeds from issue of shares as our principal sources of funding. The following table sets out our selected consolidated cash flow for the periods indicated:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Net cash flows from operating activities	<b>135,046</b>	45,231
Net cash flows used in investing activities	<b>(128,994)</b>	(33,573)
Net cash flows from/(used in) financing activities	<b>(134,591)</b>	468,361
Net increase/(decrease) in cash and cash equivalents	<b>(128,539)</b>	480,019
Cash and cash equivalents at beginning of year	<b>629,990</b>	167,167
Effect of foreign exchange rate changes, net	<b>(21,015)</b>	(17,196)
Cash and cash equivalents at end of year	<b>480,436</b>	629,990

Net cash from operating activities for FY 2016 was approximately HK\$135.0 million, which primarily resulted from the decrease in inventories which reflected the sales of raw materials for cancelled orders of the Predecessor Top Customer during FY 2016.

Net cash used in investing activities for FY 2016 was approximately HK\$129.0 million. This consisted mainly of (i) payment of approximately HK\$21.1 million for purchases of items of property, plant and equipment primarily for the upgrade of certain production equipment to support the production of high-quality products; (ii) payment of approximately HK\$86.2 million for the proposed acquisition of the iON Group and our U.S. sales branch; (iii) investment of approximately HK\$53.4 million in unlisted start-up companies; and (iv) release of pledged deposits of approximately HK\$40.7 million in the banks in connection with issuing less letter of credit from the banks.

Net cash used in financing activities for FY 2016 was approximately HK\$134.6 million, which was caused by (i) net repayment of bank borrowings of approximately HK\$111.0 million, resulting from less interest-bearing bank borrowings were used to settle trade payables; (ii) payment of approximately HK\$58.4 million to settle final dividends for FY 2015; (iii) payment of HK\$14.0 million to a trustee for purchase of shares from the secondary market pursuant to the rules of the share award scheme adopted by the Company on 20 September 2016; and (iv) was partially offset by gross proceeds of HK\$50.4 million received from placement of 48,000,000 shares on 3 October 2016.

The Group's cash and cash equivalents were dominated in US\$, HK\$ and RMB as at 31 December 2016.

### **Borrowing and the pledge of assets**

The aggregate amount of our banking facilities as at 31 December 2016 and 31 December 2015 was approximately HK\$290.8 million and approximately HK\$443.6 million, respectively. As at the same dates, total bank loans in the amounts of approximately HK\$101.0 million and approximately HK\$212.0 million were outstanding, respectively, which are repayable within one year. We utilised less interest-bearing bank borrowings to settle trade payables due to the shrink of purchase scale.

The Group's bank and other borrowings are all denominated in US\$ and bear fixed interest rates. During FY 2016, the annual interest rate of bank borrowings ranged from 1.8% to 2.2% (FY 2015: 0.8% to 2.1%).

Further details of the Group's bank borrowings are set out in note 13 to financial statements. None of the Group's assets were pledged to secure the Group's bank loans as at 31 December 2016. Certain of the Group's bank loans as at 31 December 2015 were secured by: (i) the pledge of the Group's time deposits amounting to HK\$40,679,000; (ii) mortgages over the Group's buildings, which had aggregate carrying values amounting to HK\$1,994,000; and (iii) mortgages over the Group's prepaid land lease payments, which had aggregate carrying values amounting to HK\$2,990,000.

### **Gearing ratio**

Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank and other borrowings) by total equity as at the end of the each period end. Our gearing ratio as at 31 December 2016 and 31 December 2015 was 9.9% and 21.0%, respectively. The decrease in gearing ratio was primarily due to less interest-bearing bank borrowings remained outstanding as at 31 December 2016 following the shrink in purchase scale.

### **Capital expenditure**

During FY 2016, the Group invested approximately HK\$28.1 million (FY 2015: approximately HK\$80.9 million) in fixed assets and intangible assets, of which approximately HK\$27.0 million (FY 2015: approximately HK\$74.6 million) was used for the purchase and upgrade of equipments used for expansion of production facilities.

### **Off balance sheet transactions**

During FY 2016, 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 arises from sales in currencies other than the relevant operating units, that is, functional currencies. Approximately 98.8% and 90.6% of our sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 51.2% and 61.2% of inventory costs were denominated in their functional currencies for FY 2015 and FY 2016, respectively.

We use forward currency contracts to manage currency risk. However, as a result of the depreciation of RMB against US\$, we recorded a loss of approximately HK\$0.8 million (FY 2015: approximately HK\$5.5 million) on the forward contracts for FY 2016.

As at 31 December 2016, the Group has no outstanding forward currency contracts due to all the forward currency contracts were matured during FY 2016.

## **Events after the reporting period**

On 22 January 2017, the Group acquired 40% equity interests in Kandao Lightforge Co., Ltd., a company engaged in sales and manufacture of VR cameras, by investing cash of RMB20.0 million which was funded by the net proceeds from the Placing.

## **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.

Under our treasury investment policies, 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) issued by well recognized publicly listed banks, (ii) no 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 policies also provide that the outstanding balance of our wealth management products shall not exceed 50% of total amount of cash and cash equivalents and wealth management products. Any plan to increase this limit must be approved by the Board. No single investment can exceed 35% of the total 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 policies was approximately HK\$10.4 million as at 31 December 2016 (31 December 2015: HK\$2.8 million). The increase in such investments was for better managing our idle working capital. No listing proceeds were used to invest in the wealth management products.

## **Employees and emoluments policy**

As at 31 December 2016, the Group had employed a total of 2,344 employees (31 December 2015: 3,095). The staff costs, excluding directors' emoluments and any contributions to pension scheme, were approximately HK\$270.3 million for FY 2016 (FY 2015: approximately HK\$315.2 million), approximately HK\$9.4 million (FY 2015: approximately HK\$7.6 million) of which are expenses from the Group's share option schemes and share award scheme. 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 the market and in compliance with 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 on 29 May 2015 and the share option scheme on 12 June 2015, under which grantees are entitled to exercise the options to subscribe for shares subject to the terms and conditions of the respective schemes. In addition to the share option schemes, the Group also adopted a share award scheme on 20 September 2016 for the purposes of: (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

## **Significant Investments held**

As at 31 December 2016, the Group held unlisted equity investments of approximately HK\$61.2 million. These unlisted equity investments were made in start-up companies which have synergy with the Group's business. The significant addition of unlisted equity investments mainly came from the investment of RMB20.0 million in Kandao and investment of US\$3.0 million in Holor during FY 2016.

## **Application of global offering proceeds**

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

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



<b>Use of proceeds</b>	<b>Actual net proceeds</b>	<b>Actual utilisation up to 31 December 2016</b>	<b>Balance as at 31 December 2016</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Purchase of land or completed properties or offices and purchase of production machinery	226.7	64.2	162.5
Possible mergers and acquisitions	116.5	116.5	–
Marketing expenditures	116.5	20.5	96.0
Research and development expenditures	92.0	65.6	26.4
Working capital and general corporate purposes	61.3	61.3	–
	<u>613.0</u>	<u>328.1</u>	<u>284.9</u>

## **Commitment**

As at 31 December 2016, the Group's operating lease and capital commitment amounted to approximately HK\$44.9 million (31 December 2015: HK\$52.5 million) and approximately HK\$24.9 million (31 December 2015: HK\$7.0 million), respectively. The lease commitment gradually decreased along with the decrease of tenure period in the lease contracts, while the capital commitment soared significantly which resulted from the entering into of agreements in relation to the investment in Kandao Lightforge Co., Ltd.. The committed investment of RMB20.0 million in Kandao Lightforge Co., Ltd. was remaining unpaid as at 31 December 2016, which was subsequently paid in January 2017.

## **Future plans for material investments or capital assets**

The Group has made and will continue to make investments in certain start-up companies which have synergy with our business along our value chain, which is expected to be funded by internal resources and/or bank borrowings. The Company will make announcement for any investments in accordance with the Listing Rules as and when appropriate.

## **Material acquisitions and disposals of subsidiaries and associated companies**

As disclosed in the Company's announcement dated 1 November 2016, after the US Bankruptcy Court approved the plan of reorganization of iON Worldwide Inc. and iON America LLC on 31 October 2016 (U.S. time), the Company acquired substantially all of the assets and 100% of the common stock of the reorganised equity of the iON Group, representing the entire equity interests in the iON Group at a total cash consideration of approximately US\$12.0 million (equivalent to approximately HK\$93.4 million, HK\$93.1 million, being the amount where consideration higher than the fair value of the net assets acquired, of which were recognised as goodwill. As the applicable percentage ratio as set out

in Chapter 14 of the Listing Rules in respect of the transactions contemplated under the agreements together were more than 5% but less than 25%, the transactions contemplated thereunder constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and were subject to the reporting and announcement requirements.

Save as disclosed above, there is no other material acquisitions and disposals of subsidiaries and associated companies for the year ended 31 December 2016.

### **Contingent liabilities**

As at 31 December 2016, the Group had no significant contingent liabilities.

### **Annual general meeting**

The annual general meeting of the Company for the year ended 31 December 2016 (the “AGM”) is scheduled to be held on Monday, 22 May 2017. A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

### **Dividends**

At the meeting of the Board held on 23 March 2017, the Board recommended a final dividend of HK3.2 cents per ordinary share (2015: HK7.3 cents per ordinary share) for the year ended 31 December 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 Monday, 29 May 2017. Subject to the approval by the Shareholders at the AGM, the proposed final dividend will be payable on Friday, 16 June 2017.

### **Closure of register of members**

The register of members of the Company will be closed from Wednesday, 17 May 2017 to Monday, 22 May 2017, 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 Tuesday, 16 May 2017.

The register of members of the Company will be closed from Friday, 26 May 2017 to Monday, 29 May 2017, 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 Thursday, 25 May 2017.

## **OTHER INFORMATION**

### **Purchase, sale or redemption of listed securities**

The Company is empowered by the applicable Companies Law of the Cayman Islands and the articles of the 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.

Save for Placing, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company for the year ended 31 December 2016.

### **Model code for securities transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct governing its directors’ securities transactions. Specific enquiries have been made with all Directors and they have confirmed that they have complied with the Model Code during FY 2016.

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

### **Audit committee**

The Company established its audit committee (the “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 information and reporting process, risk management and internal control systems and effectiveness of internal audit function, to monitor scope of audit and nominate and appoint 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.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management on the internal control, risk management and financial reporting matters, including the review of the annual results and annual report for the year ended 31 December 2016.

## **Corporate governance practices**

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

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) set out in Appendix 14 to Listing Rules as the basis of the Company’s corporate governance practices. Throughout the year ended 31 December 2016, the Company has complied with all applicable code provisions of the CG Code except for CG Code provision A.2.1.

Pursuant to CG Code provision A.2.1, the role(s) of chairman and chief executive should be separate and should not be performed by the same individual. As the duties of chairman of the Board (“Chairman”) and chief executive of the Company are performed by Mr. Tang Wing Fong Terry, the Company has deviated from the CG Code provision A.2.1. The Board considers that having Mr. Tang Wing Fong Terry acting as both our Chairman and our chief executive officer will provide a strong and consistent leadership to 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 our Chairman and our chief executive officer. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.sky-light.com.hk>). The annual report of the Company for the year ended 31 December 2016 containing information required by the Listing Rules will be dispatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 23 March 2017

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