2016
Annual Report

天彩控股有限公司
Sky Light Holdings Limited

Stock Code

3882

Incorporated in the Cayman Islands wih limited liability

Contents

Financial Highlights

	2016 HK$'000	2015 HK$'000	Change
Revenue	**1,339,611**	2,736,152	-51.0%
Gross profit margin (%)	**24.3%**	20.0%	+4.3 p.p.t.
Profit for the year	**53,728**	213,517	-74.8%
Adjusted by:			
Listing expense	–	22,978	N/A
Share option expense	**10,022**	8,182	+22.5%
Share award expense	**641**	-	N/A
Profit for the year before listing expense	**53,728**	236,495	-77.3%
Profit for the year before listing expense, share option and share award expenses	**64,391**	244,677	-73.7%
Cash balances (note)	**490,836**	673,500	-27.1%
Total equity	**1,023,313**	1,010,786	+1.2%
Interim dividends	–	48,019	N/A
Final dividends	**27,177**	58,423	-53.5%
Earnings per share attributable to ordinary equity holders of the parents			
Basic (hk cents)	**6.6**	30.5	-78.4%
Diluted (hk cents)	**6.6**	30.1	-78.1%

Note:

Cash 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

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands
(Name change of Codan Trust Company (Cayman) Limited to Conyers Trust Company (Cayman) Limited effected on 30 March 2017)

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

1009 Kwong Sang Hong Centre
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 Company Limited
42/F, Two International Finance Centre
No. 8 Finance Street
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands
(Name change of Codan Trust Company (Cayman) Limited to Conyers Trust Company (Cayman) Limited effected on 30 March 2017)

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 2016 ("FY 2016").

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 360-degree cameras in virtual reality ("VR") sectors. We have strategically separated our business into two divisions: smart manufacturing and branding. In the smart manufacturing business, primarily consists of JDM (joint design manufacturing) and ODM (original design manufacturing), we are continually dedicated to offering design-driven JDM manufacturing and ODM solutions to our customers to cover in and around the home monitor and/or control. In the branding business, after the acquisition of iON Worldwide Inc. together with its subsidiaries ("iON Group"), we are able to create our own brand for 360-degree cameras.

To further elaborate our own branding strategy, our immersive and 360-degree digital experience has been fruitful and can be applied in various industries. 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 along the VR value chain below:

- In July 2016, we successfully launched 360-degree camera to the market;
- In August 2016, the Group 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, the Company 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.

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 technology support and Holor's VR content production capability.

Sky Light experienced a challenging year in 2016, due to the discontinuation of product line by the predecessor top customer, the Group's total revenue decreased to approximately HK$1,339.6 million (FY 2015: HK$2,736.2 million), representing a decrease of 51.0% compared to the year ended 31 December 2015 ("FY 2015"). Nevertheless, the Group was still able to achieve net profit of HK$53.7 million for the year (2015: HK$213.5 million), decreased by 74.8% compared to that of FY 2015. Particularly, revenue from our home imaging business soared from HK$541.9 million in 2015 to HK$792.2 million in 2016, representing a rise of 46.2%. It 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 our major revenue stream, contributing 59.1% of our total revenue for FY 2016. Our cash balances as at 31 December 2016 was approximately HK$490.8 million while our net equity as at 31 December 2016 was approximately HK$1,023.3 million, which reflects our prudent philosophy in financial management.

Chairman's Statement

Stepping into 2017, Sky Light is expecting a year full of opportunities. We believe that the Group has many prospects in the smart imaging industry and is well positioned to compete in the global market. On one hand, we will continue to expand our smart manufacturing efforts by leveraging research and development expertise and manufacturing excellence, to fulfill customers' market needs, to introduce more smart imaging products to the market, such as baby monitor camera, doorbell camera, with advanced features such as image analytics, voice control, etc.

On the other hand, for our own brand of VR 360-degree cameras, we will strengthen our presence and step up our market channel efforts in the United States. Up to the date of this report, we are actively in the process of developing carrier channels in the U.S. We believe that carriers business has good synergy with our 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. Being armed with the newly acquired branding team and strategic partners along VR value chain, we will further expand our product offerings in VR business.

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 2017

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

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 HK$'000	2015 HK$'000
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
	1,339,611	2,736,152

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:

	2016 HK$'000	2015 HK$'000
Net cash flows from operating activities	**135,046**	45,231
Net cash flows used in investing activities	**(128,994)**	(33,573)
Net cash flows from/(used in) financing activities	**(134,591)**	468,361
Net increase/(decrease) in cash and cash equivalents	**(128,539)**	480,019
Cash and cash equivalents at beginning of year	**629,990**	167,167
Effect of foreign exchange rate changes, net	**(21,015)**	(17,196)
Cash and cash equivalents at end of year	**480,436**	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 24 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.

Use of proceeds	Actual net proceeds HK$ million	Actual utilisation up to 31 December 2016 HK$ million	Balance as at 31 December 2016 HK$ million
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	–
	613.0	328.1	284.9

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.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tang Wing Fong Terry (鄧榮芳), aged 58, 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 21 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 49.19% of total issued shares in the Company as at 31 December 2016.

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 38, 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., 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 6.70% of total issued shares in the Company as at 31 December 2016.

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 44, 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 24 years of experience in accounting and related financial management and 12 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.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Huang Erwin Steve (黃岳永), aged 51, 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 senior advisor (entrepreneurship) of The Hong Kong University of Science and Technology, the president of Hong Kong Information Technology Federation (HKITF), and also chairs the eLearning Consortium, which is instrumental in driving Hong Kong's eLearning initiative in education reform. Mr. Huang is one of the founding members and currently serve as vice chairman of Senior Citizen Home Safety Association and vice chairman of Junior Achievement Hong Kong, dedicated to inspiring and preparing young leaders to succeed in a global economy through entrepreneurship . In 2011 and 2016, 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 double degrees of bachelor of science in business administration; Business administration and management from Boston University, the United States.

Ms. Tang Kam Sau (鄧錦繡), aged 54, 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 12 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. Ms. Tang has been appointed as a director of Vupoint Solutions Inc, a member of the Group, with effect from 22 January 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Tsu Ming Louis (陳祖明), aged 57, 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 52, 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 Science Company Limited (formerly known as 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 55, 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 was the non-executive chairman and an independent non-executive director of Harmonic Strait Financial Holdings Limited (now known as Asia Investment Finance Group Limited) (Stock Code: 33) from September 2013 to September 2016 and June 2007 to September 2016, respectively. 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 49, 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 14 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.

Dr. Yum Tsz Yin (任子賢), aged 37, is the director of marketing and strategic sales of our Group. Dr. Yum joined our Group in April 2016. He is primarily responsible for the sales, program and marketing of our Group. Dr. Yum has approximately 15 years of experience in product, business and brand management in the consumer electronics industry.

Prior to joining our Group, Dr. Yum worked at IDT International Limited, a company listed on the Stock Exchange (Stock Code: 0167) between August 2005 and September 2013 and Binatone Electronics International Limited between October 2013 and March 2016, with his last position in Binatone as the global product management director for Motorola baby, smart home, pet monitors and IOT products.

Dr. Yum obtained a bachelor's degree in electronic engineering and doctor's degree in philosophy from the City University of Hong Kong in 2002 and 2005, respectively.

Mr. Giovanni Tomaselli, aged 52, is the chief executive of iON Group, a member of our Group. He is a director of each of the subsidiaries of iON Group. Mr. Tomaselli joined our Group in November 2016. He was appointed as chief executive of iON Worldwide Inc. and is primarily responsible for its overall management. Mr. Tomaselli has more than 20 years of experience in marketing development and brand management in the consumer electronics industry.

Prior to joining our Group, Mr. Tomaselli formed World Wide Licenses Ltd in 1993. Mr. Tomaselli was appointed as the managing director of The Character Group's (Stock code: CCT, listed on London Stock Exchange) Far East operations from January 2002 to February 2006 after the integration between The Character Group plc. and World Wide Licenses Ltd in 1997. Between 2006 and 2009, Mr. Tomaselli was a vice president and managing director of the consumer electronics business unit in Flextronics International Ltd. Between 2009 and 2016, Mr. Tomaselli founded iON Group and was the chief executive of iON Group. On 1 November 2016, iON Group was acquired by the Group.

JOINT COMPANY SECRETARIES

Mr. Lu Yongbin (盧勇斌), aged 44, 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 47, 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 and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "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.

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 year ended 31 December 2016.

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 non-executive Directors. The Company has complied with rules 3.10 and 3.10A of the Listing Rules. Throughout the year ended 31 December 2016, 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.

Corporate Governance Report

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 Terry 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 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.

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. Lu Yongbin, Mr. Wong Kee Fung Kenneth, and Dr. Cheung Wah Keung shall retire and, being eligible, offer themselves for re-election at the forthcoming 2017 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 three 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 2016, 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.

In order to ensure adequate performance of duties by the independent non-executive Directors, the Company also arranged on-site visit and sufficient communication with the management for the independent non-executive Directors.

The existing Directors are continually updated on changes and developments to the Group's business and in the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities. Directors' training is an ongoing process. All directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide their training records to the Company for record. During the year ended 31 December 2016, the Directors have participated in continuous professional training as follows:

	Nature of training covered(Note)		
Name of Directors	**a**	**b**	**c**
Executive Directors			
Mr. Tang Wing Fong Terry	√		√
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	√	√	√

Notes:

a. Receiving in-house regular briefings and updates on the Group's business, operations and corporate governance matters.

b. Attending seminars/forums, which are relevant to their duties and responsibilities, organised by professional firms/institutions.

c. Reading technical bulletins, periodicals and other publications on subjects relevant to the Group and on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

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 year ended 31 December 2016:

	Attendance/Number of Meetings Held				
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**
Executive Directors					
Mr. Tang Wing Fong Terry	6/6*	N/A	1/1*	2/2	1/1
Mr. Wu Yongmou	6/6	N/A	N/A	N/A	1/1
Mr. Lu Yongbin	6/6	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Huang Erwin Steve	5/6	N/A	N/A	N/A	1/1
Ms. Tang Kam Sau	5/6	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Wong Kee Fung Kenneth	6/6	3/3*	1/1	2/2*	1/1
Dr. Cheung Wah Keung	6/6	3/3	N/A	N/A	1/1
Mr. Chan Tsu Ming Louis	5/6	3/3	1/1	2/2	1/1

Remark:

* representing chairman of the Board or the relevant committees

At least four regular board meetings are convened each year.

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 2016. 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.

Corporate Governance 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 its 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.

During the year, the Audit Committee has held three 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 audited consolidated financial statements, results announcement and report for the year ended 31 December 2015; unaudited interim condensed financial statements, results announcement and report for the six months ended 30 June 2016; the related accounting principles and practices adopted by the Group and the relevant audit/review findings, the report from the management on the Company's internal control and risk management review and processes;

— Recommendation of the re-appointment of the external auditors;

— 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;

— Discussion of appointment of external service provider for review of the Group's financial reporting process, risk management and internal control systems; and

— Review of the risk management and internal control systems and internal control function.

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/review 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, risk management and financial reporting matters, including the review of the audited annual results and annual report for the year ended 31 December 2015 and the unaudited interim results and interim report for the six months ended 30 June 2016, and the review of the audited annual results and annual report for the year ended 31 December 2016.

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 review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, procedures for nomination and appointment, to assess the independence of independent non-executive Directors; and 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 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; and

— Discussion of the candidate for senior management position.

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 review and make recommendations to the Board on the remuneration of the Directors and senior management, remuneration policy and structure for all Directors and senior management, and establish transparent procedures for developing such remuneration policy and structure. 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 packages of certain Directors and senior management and other related matters.

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 2016 is set out below:

Remuneration band (HK$)	Number of individual
<500,000	0
500,001–1,000,000	3
1,000,001–1,500,000	2
1,500,001–2,000,000	1

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 2016 are set out in note 9 and note 37, respectively, to the financial statements contained in this annual report.

In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each Director's workload, responsibility and job complexity are taken into account. The following factors are considered when determining the remuneration packages of directors and senior management of the Company:

- business requirements;
- individual performance and contribution;
- company performance and profitability;
- retention considerations and the potential of individuals;
- corporate goals and objectives;
- changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- general economic situation.

During the review process, no individual director is involved in decisions relating to his/her own remuneration.

Corporate Governance 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 2016. 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 2016 was HK$2,183,000. The audit fee was approved by the Board. During the year, the total remuneration in respect of the non-audit services, mainly included tax services and the review of the Group's internal control system and risk management, provided by the external professional firm of the Company was HK$764,000.

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.

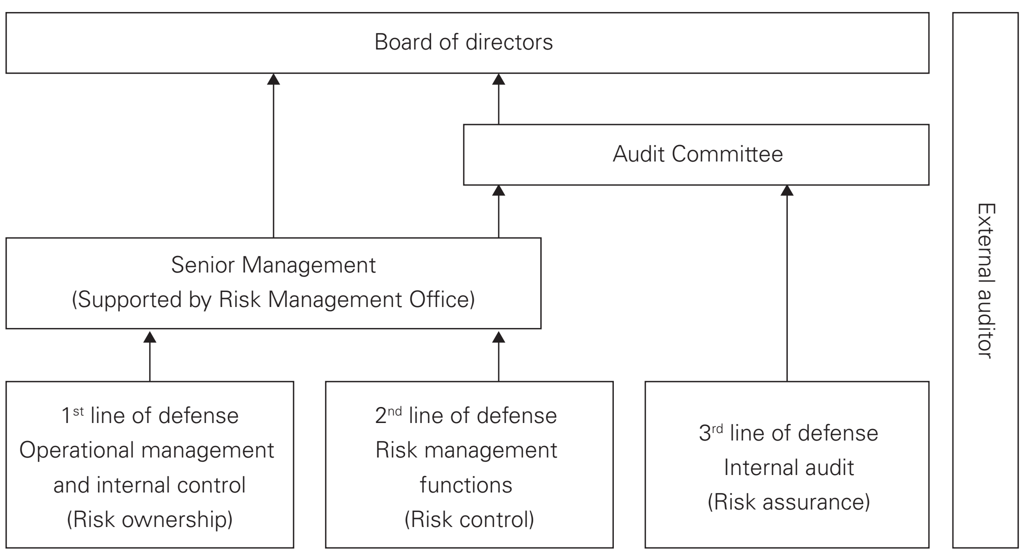
RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal control, and the resourcing of the finance and internal audit functions.

The Company has established an organizational structure with defined levels of responsibility and reporting procedures. The risk management office of the Group ("Risk Management Office") and internal audit functions of the Group ("Group Internal Audit") assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The directors through these committees are kept regularly apprised of significant risks that may impact on the Group's performance.

Appropriate policies and control have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal control can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework is guided by the "Three Lines of Defense" model as shown below:



Corporate Governance Report

The Risk Management Office, which co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Group, reports to the Audit Committee at each regularly scheduled meeting, including amongst other things, significant risks of the Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the Group, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to Risk Management Office at each regularly scheduled meeting.

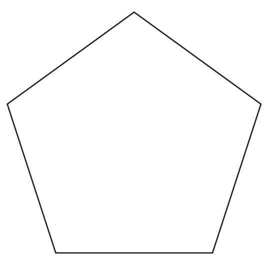
Group Internal Audit reports to the Audit Committee at each regularly scheduled meeting throughout the year, the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal control, including but not limited to, any indications of failings or material weaknesses in those control.

Group Internal Audit adopts a risk-and-control-based audit approach. The annual work plan of Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. Special reviews are also performed at management's request. The results of these audit activities are communicated to the Audit Committee and key members of executive and senior management of the Group. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committee and chief executive officer of the Group periodically.

Group Internal Audit provides independent assurance and report to the Board, the Audit Committee and the chief executive officer of the Group, who is also the chairman of the Board, on the adequacy and effectiveness of internal control for the Group.

The senior management of the Group, supported by the Risk Management Office and monitored by the Group Internal Audit, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and for providing regular reports to the Board and/or the Audit Committee on the effectiveness of these systems.

For many years, the Company has had an integrated approach for internal control which is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework.



Within this framework, management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal control. Other teams such as finance, legal, and human resources provide assistance and expertise to management to assist it in undertaking its responsibilities. The Board and Audit Committee oversee the actions of management and monitor the effectiveness of the established controls, assisted by assurance provided by the external and internal auditors. The Group's internal control framework is designed to manage rather than eliminate the risk of failure to achieve business objectives, and as such, provides reasonable (rather than absolute) assurance against material misstatement or loss.

The Company has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Group to regularly assess and, at least annually, to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices in the future.

The Company has embedded its risk management systems into the core operating practices of the business. On an ongoing basis, the respective operating units of the Company will review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Company. This review process includes assessment as to whether the existing system of internal control continues to remain relevant, adequately addresses potential risks, and/or should be supplemented. The results of these reviews are recorded in the operating units risk registers for monitoring and incorporated into the Group's consolidated risk register for analysis of potential strategic implications and for regular reporting to the senior management and directors of the Company.

The Audit Committee has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Audit Committee has designated the head of Group Internal Audit to receive on its behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations for action resulting from investigation into complaints.

The Company regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During the year ended 31 December 2016, the Risk Management Office has worked closely with the operating units, senior management, and the Directors to enhance the risk management systems. Such activities have included, amongst other matters, increasing the number of training sessions and risk workshops; further standardization of risk reporting language, classification, and quantification; more closely aligning the assessment of internal control with their potential risks; and increasing the depth and frequency of interaction with the designated directors on the Company's risk management system's design, operation, and findings. The Risk Management Office has presented update reports to the Board and the Audit Committee on the monitoring of the risk management and assisted the Directors in the review of the effectiveness of the risk management and internal control systems of the Group during the year.

During the year ended 31 December 2016, Group Internal Audit conducted selective reviews of the effectiveness of the systems of risk management and internal controls of the Group over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and procurement. Additionally, the heads of major business and corporate functions were required to undertake control self-assessments of their key controls. These results were assessed by Group Internal Audit and reported to the Audit Committee, which then reviewed and reported the same to the Board and appropriate actions are taken.

During the year ended 31 December 2016, the Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions. The Board considered that the Group's internal control system is adequate and effective and the Company has complied with the code provision on risk management and internal control of the CG code.

In addition to the review of risk management and internal control undertaken within the Group, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal control as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal control will be made.

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. Jason Liu, 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 2016, 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.

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 2 July 2015 (the "Listing Date"), copy of which is available on both the websites of the Stock Exchange and the Company.

During the year, the Company has not made any changes to its Memorandum and Articles of Association.

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 2016.

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 2016 and the state of affairs of the Company and of the Group as at 31 December 2016 are set out in the financial statements on pages 64 to 147. The Board has 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 which will be subject to the approval of the Company's Shareholders at the forthcoming AGM. The proposed final dividend will be paid 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 also 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 for the year ended 31 December 2016, 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.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 148 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 2016 are set out in note 14 to the financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2016 are set out in note 24 to the financial statements.

Directors' Report

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2016 are set out in note 28 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 42 to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution as calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$869.7 million (2015: approximate HK$822.9 million) including share premium of approximately HK$684.8 million and retained earnings of approximately RMB184.9 million, of which HK$27.2 million (2015: HK$58.4 million) has been proposed as a final dividend for the year.

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year ended 31 December 2016 (2015: HK$1,025,000).

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2016, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 14.3% (2015: 14.1%) and 35.4% (2015: 42.6%) of the Group's total purchases respectively.

For the year ended 31 December 2016, sales to the single top customer of the Group and the five top customers of the Group in aggregate accounted for approximately 35.6% (2015: 66.5%) and 76.5% (2015: 89.4%) of the Group's total turnover respectively.

At all-time during the year ended 31 December 2016, 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.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the Management Discussion and Analysis of this annual report, which form part of this Directors' Report. The Environmental, Social and Governance Report for the year ended 31 December 2016 will be available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.sky-light.com.hk) in around May 2017.

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. Lu Yongbin, Mr. Wong Kee Fung Kenneth and Dr. Cheung Wah Keung 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' 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).

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or subsisted during the year.

PERMITTED INDEMNITY

According to the articles of association of the Company and subject to the provisions of the Hong Kong Companies Ordinance, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities to the fullest extent permitted by the Hong Kong Companies Ordinance which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance cover for the directors and officers of the Company and its subsidiaries in respect of potential legal actions against them.

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

As at 31 December 2016, the interests or short positions of the Directors and chief executive of the Company in the shares of the Company ("Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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	Number of shares(1)	Interest in underlying shares of share option(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	439,365,600 shares (L)		51.73%
Wu Yongmou(3)	Founder of a discretionary trust and beneficial owner	57,202,000 shares (L)		6.74%
Tang Kam Sau(4)	Interest in a controlled corporation	39,192,000 shares (L)		4.61%
Lu Yongbin(5)	Beneficiary of a trust and beneficial owner	3,595,800 shares (L)		0.42%
Huang Erwin Steve(6)	Beneficial owner		2,750,000 shares (L)	0.32%
Wong Kee Fung Kenneth(6)	Beneficial owner		750,000 shares (L)	0.09%
Cheung Wah Keung(6)	Beneficial owner		750,000 shares (L)	0.09%
Chan Tsu Ming Louis(6)	Beneficial owner		750,000 shares (L)	0.09%

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 2,607,000 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 19,041,000 Shares.

(3) The disclosed interest represents (i) the interest in 56,931,000 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 (ii) his personal interest in 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 the Company by virtue of the SFO.

(5) The disclosed interest represents Mr. Lu Yongbin's (i) beneficial interest in 1,797,900 Shares held by Fortune Sky Associates Limited by virtue of Mr. Lu Yongbin being a beneficiary in The Sky Light Employees' Trust, and (ii) his personal interest in 1,797,900 Shares.

(6) The disclosed interest is unvested share options granted by the Company to each Director.

Save as disclosed above, as at 31 December 2016, 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

To the best knowledge of the Directors, as at 31 December 2016, 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	507,236,400 shares (L)	59.73%
Antopex Limited(2)	Nominee for another person	507,236,400 shares (L)	59.73%
Best One International Ltd(2)(3)	Interest of controlled corporation	417,717,600 shares (L)	49.19%
Fortune Six Investment Ltd.(2)(3)	Beneficial owner	417,717,600 shares (L)	49.19%
Brilliant Sky Associates Ltd.(2)	Interest of controlled corporation	32,587,800 shares (L)	3.84%
Fortune Sky Associates Ltd.(2)	Beneficial owner	32,587,800 shares (L)	3.84%
YongDingDa Investment Limited(2)(4)	Interest of controlled corporation	56,931,000 shares (L)	6.70%
YongWeiDa Investment Limited(2)(4)	Beneficial owner	56,931,000 shares (L)	6.70%

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 507,236,400 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) 56,931,000 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) 32,587,800 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 2016, 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 37 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 ended 31 December 2016, 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.

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 2016. 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 during the year ended 31 December 2016 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.

Save for the 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.

SHARE OPTION SCHEMES

The details of the share option schemes adopted by the Company are set out in note 29 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 2.47% 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 2016:

Name	As at 1 January 2016	Exercised	Cancelled	Lapsed	As at 31 December 2016	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	17,604,000	958,000	–	2,779,000	13,867,000	1.63%
Total	18,864,000	958,000	–	2,779,000	15,127,000	1.78%

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

		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

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$7,163,000 (2015: HK$8,500,000) for the year ended 31 December 2016 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.

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 45,158,000 Shares, representing approximately 5.31% of the total number of Shares in issue.

The Company has granted the following share option under the Share Option Scheme:

	Date of grant	27 July 2015 (Note 1)	15 September 2016 (Note 2) (Note 3)	1 December 2016 (Note 4)
(i)	Share Options granted as at the date of grant or 1 January 2016	2,000,000	12,942,000	19,900,000
	Share Options exercised during the year	–	–	–
	Share Options cancelled during the year	–	–	–
	Share Options lapsed during the year	–	81,000	–
(ii)	Share Options outstanding as at 31 December 2016	2,000,000	12,861,000	19,900,000
	Approximate percentage of the total number of Shares in issue as at the date of this report	0.24%	1.51%	2.34%
(iii)	Exercise price of the Share Options:	HK$3.46	HK$1.70	HK$1.986
(iv)	Closing price immediately before the date of grant	HK$3.46	HK$1.56	HK$2.04

Note:

(1) On 27 July 2015, share options to subscribe for a total of 2,000,000 Shares were granted to Mr. Huang Erwin Steve, a non-executive Director, pursuant to the Share Option Scheme. Maximum of 50% of the share options of the Company ("Share Options") shall become vested and exercisable from 27 July 2016 to 26 July 2019 (both dates inclusive). The remaining 50% of the Share Options shall become vested and exercisable from 27 July 2017 to 26 July 2020 (both dates inclusive). None of the above Share Options was exercised or cancelled or lapsed during the year ended 31 December 2016 and therefore the balance of the outstanding share options as of 31 December 2016 remain the same as 27 July 2015.

(2) On 15 September 2016, 12,942,000 Share Options were granted to certain eligible participants pursuant to the Share Option Scheme.

1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 15 September 2017 and shall be exercisable at any time during the period commencing on 15 September 2017 and ending on 14 September 2022 (both dates inclusive);

1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 15 September 2018 and shall be exercisable at any time during the period commencing on 15 September 2018 and ending on 14 September 2023 (both dates inclusive); and

1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 15 September 2019 and shall be exercisable at any time during the period commencing on 15 September 2019 and ending on 14 September 2024 (both dates inclusive).

(3) Among the Share Options granted on 15 September 2016, 3,000,000 Share Options were granted to the following Directors, details of which during the year ended 31 December 2016 are as follows:

Name of Directors	Position	Share Options granted as at the date of grant	Share Options exercised during the year	Share Options cancelled during the year	Share Options lapsed during the year	Share Options Outstanding as at 31 December 2016	Approximate percentage of shareholding upon full exercise of Share Options granted	Exercise price of Share Options per share *(HK$)*
Huang Erwin Steve	Non-executive director and external consultant	750,000	–	–	–	750,000	0.09%	1.70
Chan Tsu Ming Louis	Independent non-executive director	750,000	–	–	–	750,000	0.09%	1.70
Cheung Wah Keung	Independent non-executive director	750,000	–	–	–	750,000	0.09%	1.70
Wong Kee Fung Kenneth	Independent non-executive director	750,000	–	–	–	750,000	0.09%	1.70

(4) On 1 December 2016, 9,900,000 Share Options were granted to certain employees of the Group as "Employee Options" and 10,000,000 Share Options were granted to certain parties who contribute or have contributed to the Group, including an agent developing the Group's sales channels and members of a supplier of the Group as "Contributor Options".

For the Share Options granted to employees who are not senior management:

- 1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 1 December 2017 and shall be exercisable at any time during the period commencing on 1 December 2017 and ending on 30 November 2022 (both dates inclusive);
- 1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 1 December 2018 and shall be exercisable at any time during the period commencing on 1 December 2018 and ending on 30 November 2023 (both dates inclusive); and
- 1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 1 December 2019 and shall be exercisable at any time during the period commencing on 1 December 2019 and ending on 30 November 2024 (both dates inclusive).

For the Share Options granted to persons who are senior management:

- conditional upon the achievement of certain performance targets by the Group, up to 1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 31 January 2018 and shall be exercisable at any time during the period commencing on 31 January 2018 and ending on 30 January 2023 (both dates inclusive);
- conditional upon the achievement of certain performance targets by the Group, up to 1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 31 January 2019 and shall be exercisable at any time during the period commencing on 31 January 2019 and ending on 30 January 2024 (both dates inclusive); and
- conditional upon the achievement of certain performance targets by the Group, up to 1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 31 January 2020 and shall be exercisable at any time during the period commencing on 31 January 2020 and ending on 30 January 2025 (both dates inclusive).

For the Contributor Options granted to members of a supplier of the Group:

- 1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 1 December 2017 and shall be exercisable at any time during the period commencing on 1 December 2017 and ending on 30 November 2022 (both dates inclusive);
- 1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 1 December 2018 and shall be exercisable at any time during the period commencing on 1 December 2018 and ending on 30 November 2023 (both dates inclusive); and
- 1/3 (i.e. approximately 33.33%) of the Share Options so granted to him/her shall become vested on 1 December 2019 and shall be exercisable at any time during the period commencing on 1 December 2019 and ending on 30 November 2024 (both dates inclusive).

For the Contributor Options granted to an agent developing the Group's sales channels:

- conditional upon the achievement of certain performance targets by the Group, up to 1/3 (i.e. approximately 33.33%) of the Contributor Options so granted to him/her shall become vested on 31 January 2018 and shall be exercisable at any time during the period commencing on 31 January 2018 and ending on 30 January 2023 (both dates inclusive);

- conditional upon the achievement of certain performance targets by the Group, up to 1/3 (i.e. approximately 33.33%) of the Contributor Options so granted to him/her shall become vested on 31 January 2019 and shall be exercisable at any time during the period commencing on 31 January 2019 and ending on 30 January 2024 (both dates inclusive); and

- conditional upon the achievement of certain performance targets by the Group, up to 1/3 (i.e. approximately 33.33%) of the Contributor Options so granted to him/her shall become vested on 31 January 2020 and shall be exercisable at any time during the period commencing on 31 January 2020 and ending on 30 January 2025 (both dates inclusive).

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

Date of grant		**27 July 2015**	**15 September 2016 & 1 December 2016**
(v)	Expected volatility	45.69–46.80% per year	45.69–65.81% per year
(vi)	Expected life of options	4.0–5.0	6.0–8.17
(vii)	Average risk-free interest rate	1.47–1.66% per year	1.44–2.09% per year
(viii)	Expected dividend yield	3.93% per year	3.93%–5.32% per year
(ix)	Estimated rate of leaving service	0% per year	0%–25%per year

The Group recognised the total expense of HK$2,859,000 (2015: HK$555,000) for the year ended 31 December 2016 in relation to Share Option Scheme granted by the Company.

SHARE AWARD SCHEME

On 20 September 2016, the Company adopted a share award scheme ("Share Award Scheme") with major terms and details set out below. Unless otherwise stated, terms defined in the Company's announcement shall have the same meaning herein:

(1) Purpose

The purposes of the Scheme are:

(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.

(2) Duration

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Scheme shall be valid and effective from 20 September 2016 to the date the last of the Awarded Shares has been vested and transferred to the relevant Selected Employee or has lapsed in accordance with the Scheme Rules provided that no Award shall be made on or after the 10th anniversary date of 20 September 2016.

(3) Administration

(i) The Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules and the terms of the Trust Deed.

(ii) The Trustee shall during the trust period hold the Trust Shares, the Awarded Shares, the related income, the returned shares and the residual cash in accordance with the terms of the Trust Deed.

(iii) The Board may from time to time issue implementation and operation manual for the Scheme.

(4) Scheme Limit

(i) The Board shall not make any further award of Awarded Shares which will result in the number of Shares awarded by the Board under the Scheme exceeding 10 per cent (10%) of the issued share capital of the Company as at 20 September 2016.

(ii) The maximum number of Shares which may be awarded to a Selected Employee under the Scheme shall not exceed 2.5 per cent (2.5%) of the issued share capital of the Company as at 20 September 2016.

(5) Operation of Scheme

Subject to the Scheme Rules, the Board may, from time to time, at its absolute discretion select any Employee for participation in the Scheme as a Selected Employee and determine the number of the Awarded Shares for each of them and notify the Trustee of its decision. In determining the number of Awarded Shares for a Selected Employee, the Board may take into consideration matters including without limitation, the general financial condition of the Group and the rank and performance of the relevant Selected Employee.

The Board is entitled to impose any conditions (including without limitation, the performance, operating and financial targets and other criteria, if any, to be satisfied by the Selected Employee) as it deems appropriate in its sole and absolute discretion before the Awarded Shares can vest. In addition, Awarded Shares held by the Trustee upon Trust and which are referable to a Selected Employee shall vest to that Selected Employee in accordance with a vesting schedule determined at the discretion of the Board, provided that the Selected Employee shall remain at all times after the grant of the Award and on each relevant Vesting Date(s) as Employee.

Subject to the Scheme Rules and compliance with the Listing Rules, the articles of association of the Company, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and any other applicable laws and regulations, the Board may, at any time and from time to time at its absolute discretion having regards to, inter alia, the financial position of the Company, the cash position of the Company and the market price of the Shares at the relevant time, either before or after identification of the Selected Employee(s) (i) cause the Company to issue and allot such number of new Shares to the Trustee as Trust Shares, or (ii) cause the Trustee to purchase the Shares on the market as Trust Shares from the Company's funds.

In the event that the grant of an Award to any connected person of the Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, the Company will comply with the applicable reporting, announcement and/or independent shareholders' approval requirements.

(6) Lapse

Save as provided in the Scheme Rules, in the event that prior to or on the Vesting Date in respect of a Selected Employee, (i) the relevant Selected Employee died, (ii) the relevant Selected Employee ceases to be an Employee, (iii) the relevant subsidiary of the Company by which a Selected Employee is employed ceases to be a subsidiary of the Company (or of a member of the Group), or (iv) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company, the Award shall, unless the Board otherwise agrees, lapse forthwith.

In the event that prior to or on the Vesting Date (i) a Selected Employee is found to be an Excluded Employee, or (ii) a Selected Employee fails to return duly executed transfer documents prescribed by the Trustee for the relevant Awarded Shares within the stipulated period, the relevant part of the Award made to such Selected Employee shall, unless the Board otherwise agrees, lapse forthwith.

(7) Restrictions

No Award shall be made by the Board and no Shares or payment (as the case may be) shall be delivered or made to the Trustee and no instructions to acquire Shares and allot new Shares shall be given to the Trustee under the Scheme where any Director is in possession of inside information in relation to the Group or where dealings in Shares by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

The Company shall comply with the relevant Listing Rules when granting the Awarded Shares. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules. During the year, a total of 6,558,000 Awarded Shares, which were purchased from the secondary market, were granted to an employee of the Group under the above Share Award Scheme. Details of the Share Award Schemes during the year are set out in Note 30 to the consolidated financial statements.

According to the rules of the Share Award Scheme, the Board may exercise its discretion to instruct the Trustee to subscribe for new Shares from the Company pursuant the general mandate or a specific mandate to be approved by shareholders in general meeting, in particular, at a time when the Board is of the view that the purchase of old Shares may have a significant impact to the secondary market and may not be in the interest of the shareholders as far as the trading prices and trading volume are concerned before or after identification of the Selected Employees to be allocated with Awarded Shares under the Scheme Rules.

Nevertheless, the Board confirms that it has no current intention to instruct the Trustee to subscribe for new Shares from the Company before identification of the Selected Employees to be allocated with Awarded Shares under the Scheme Rules.

RELATED PARTY TRANSACTIONS

The details of the related party transactions are set out in note 37 to the financial statements. The Company confirms that in relation to the related party transactions for the year ended 31 December 2016, 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 37 to the financial statements constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company confirms that the following disclosure with respect to the continuing connected transactions has complied with the disclosure requirement in accordance with Chapter 14A of the Listing Rules.

In FY 2015, 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 of the Shares on the Main Board of the Stock Exchange on 2 July 2015.

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 2016 in respect of the above leasing was HK$5,580,000 (2015: HK$6,074,000), which is within the annual cap of HK$7,100,000 (2015: 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules from 1 January 2016 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Director are set out below:

- Dr. Cheung Wah Keung ceased to be the independent non-executive director of Harmonic Strait Financial Holdings Limited, a company listed on the Stock Exchange (stock code: 33), with effect from 14 September 2016.

- Mr. Huang Erwin Steve ceased to be the founding chief executive officer of WebOrganic in September 2016. He was appointed as the senior advisor (entrepreneurship) of The Hong Kong University of Science and Technology in April 2016. Mr. Huang was also elected as a member of the election committee (information technology) for the Legislative Council and Chief Executive of Hong Kong in December 2016.

By the order of the Board
Tang Wing Fong Terry
Chairman

Hong Kong
23 March 2017

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Sky Light Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 147, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
During the year, one of the Group's major customers in the past (the "Major Customer"), from which the revenue amounted to 66.45% of the Group's revenue for the prior year, decided to discontinue the business of the HERO-line action cameras, being a major product manufactured by the Group. This is considered by the management as an impairment indicator. Management performed impairment test on the related long term assets which included property plant and equipment. Management had prepared a cash flow forecast of the corresponding cash-generating unit. This assessment involves significant judgements and estimates made by the management. The disclosures of the significant accounting judgement and estimates in relation to the impairment of non-financial assets were disclosed in notes 4 and 14 to the financial statements.	We evaluated the management process on their impairment assessment. We considered the management's plan to diversify its customer base and obtained evidence regarding any sales contracts with its new customers. We evaluated the management's assumptions by comparing to the Group's internal forecasts and long term strategic plans, as well as its historic trend analyses. We also assessed the management's projection on these assets' future utilisation. We involved our internal expert to ascertain if the methodology on impairment assessment used by the management is acceptable and whether the management's use of parameters such as discount rate and terminal growth rate, are within the industry practice.
Acquisition of iON Group	
The Group acquired iON Group on 31 October 2016 at a consideration of approximately HK$93,399,000. The acquisition was regarded by the management as a business combination. The Group accounted for the acquisition using the purchase method, which required significant amount of management judgement and estimation to determine the fair values of the identifiable assets and liabilities. The disclosure of the business combination was disclosed in note 32 to the financial statements.	In evaluating the Group's purchase price allocation for iON Group, we tested the identification and valuation of the intangible assets and liabilities assumed against available market data. We evaluated the competency and objectivity of the external appraiser engaged by the Group and involved our internal valuation experts to evaluate the underlying valuation methodology and discount rate used. We also compared the projected cash flows used in the management's valuation with reference to the existing contractual terms.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Inventory Provision	
Because of the significant changes of the Group’s current year business environment, assessment on inventory provision has become more critical which would involve significant management judgement. The Group’s inventory was disclosed in notes 3 and 18 to the financial statements.	We evaluated the management process, methods and assumptions to determine the provision for inventories against slow moving, excessiveness and/or obsolete items. When evaluating the management’s estimation of the future usage of the Group’s inventories, we considered the historical sales and upcoming sales orders (if any) placed by the Group’s customers. We tested the reliability of the underlying data used by management to calculate the inventory obsolescence provisions, typically an aged inventory analysis showing last movements, and also by re-performing the ageing calculation.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Wai Wing.

Ernst & Young
Certified Public Accountants

Hong Kong
23 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	6	**1,339,611**	2,736,152
Cost of sales		**(1,014,204)**	(2,190,009)
Gross profit		**325,407**	546,143
Other income and gains	6	**28,541**	32,183
Selling and distribution expenses		**(35,773)**	(24,344)
Administrative expenses		**(114,525)**	(145,938)
Research and development expenses		**(133,062)**	(136,087)
Other expenses		**(7,015)**	(14,179)
Finance costs	8	**(1,935)**	(3,935)
PROFIT BEFORE TAX	7	**61,638**	253,843
Income tax expense	11	**(7,910)**	(40,326)
PROFIT FOR THE YEAR		**53,728**	213,517
Attributable to:			
Owners of the parent		**53,728**	213,517
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK6.6 cents**	HK30.5 cents
Diluted		**HK6.6 cents**	HK30.1 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR		**53,728**	213,517
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	21	**(186)**	(247)
Exchange differences on translation of foreign operations		**(30,047)**	(23,085)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(30,233)**	(23,332)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,495**	190,185
Attributable to:			
Owners of the parent		**23,495**	190,185

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**121,387**	141,064
Prepaid land lease payments	16	**2,800**	2,895
Goodwill	17	**93,089**	–
Intangible assets	15	**37,512**	11,529
Available-for-sale investments	21	**61,180**	7,750
Non-current prepayments	22	**6,879**	13,881
Deferred tax assets	27	**13,437**	5,354
Total non-current assets		**336,284**	182,473
CURRENT ASSETS			
Inventories	18	**169,788**	286,119
Trade receivables	19	**285,823**	245,466
Bills receivable		**9,610**	10,551
Available-for-sale investments	21	**10,400**	2,831
Due from related parties	37	**1,184**	1,682
Prepayments, deposits and other receivables	22	**91,136**	98,520
Pledged deposits	23	**–**	40,679
Cash and cash equivalents	23	**480,436**	629,990
Total current assets		**1,048,377**	1,315,838
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**100,984**	212,009
Trade payables	25	**171,831**	164,064
Bills payable		**2,593**	487
Other payables and accruals	26	**73,969**	99,690
Derivative financial instruments	20	**–**	3,693
Tax payable		**5,475**	6,061
Due to related parties	37	**370**	650
Total current liabilities		**355,222**	486,654
NET CURRENT ASSETS		**693,155**	829,184
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,029,439**	1,011,657

Consolidated Statement of Financial Position (Continued)

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,029,439**	1,011,657
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**6,126**	871
Total non-current liabilities		**6,126**	871
Net assets		**1,023,313**	1,010,786
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**8,493**	8,003
Shares held for Share Award Scheme	30	**(14,000)**	–
Reserves	31	**1,028,820**	1,002,783
		1,023,313	1,010,786
Total equity		**1,023,313**	1,010,786

Tang Wing Fong Terry
Director

Lu Yongbin
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2016

	Attributable to owners of the parent									
	Share Capital HK$'000 (note 28)	Shares held for Share Award Scheme HK$'000 (note 30)	Share premium account HK$'000 (note 28)	Capital reserve HK$'000 (note 31)	Share award reserve HK$'000 (note 30)	Share option reserve HK$'000 (note 29)	Reserve fund HK$'000 (note 31)	Retained profits HK$'000	Exchange fluctuation reserve HK$'000	Total equity HK$'000
At 1 January 2016	8,003	–	633,364	148,483	–	8,182	37,050	189,561	(13,857)	1,010,786
Profit for the year	–	–	–	–	–	–	–	53,728	–	53,728
Other comprehensive loss for the year:										
Changes in fair value of available-for-sale investments	–	–	–	(186)	–	–	–	–	–	(186)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	(30,047)	(30,047)
Total comprehensive income for the year	–	–	–	(186)	–	–	–	53,728	(30,047)	23,495
Issue of shares	480	–	49,920	–	–	–	–	–	–	50,400
Share issue expenses	–	–	(403)	–	–	–	–	–	–	(403)
Shares purchased for Share Award Scheme (note 30)	–	(14,000)	–	–	–	–	–	–	–	(14,000)
Issue of shares by exercise of share options (note 28(e))	10	–	1,924	–	–	(1,139)	–	–	–	795
Equity-settled share option arrangements (note 29)	–	–	–	–	–	10,022	–	–	–	10,022
Equity-settled share award scheme arrangements (note 30)	–	–	–	–	641	–	–	–	–	641
Final 2015 dividend declared and paid (note 12)	–	–	–	–	–	–	–	(58,423)	–	(58,423)
At 31 December 2016	8,493	(14,000)	684,805#	148,297#	641#	17,065#	37,050#	184,866#	(43,904)#	1,023,313

Consolidated Statement of Changes In Equity (Continued)

Year ended 31 December 2016

	Attributable to owners of the parent							
	Share Capital HK$'000 (note 28)	Share premium account HK$'000 (note 28)	Capital reserve HK$'000 (note 31)	Share option reserve HK$'000 (note 29)	Reserve fund HK$'000 (note 31)	Retained profits HK$'000	Exchange fluctuation reserve HK$'000	Total HK$'000
At 1 January 2015	10	–	148,730	–	26,597	34,516	9,228	219,081
Profit for the year	–	–	–	–	–	213,517	–	213,517
Other comprehensive loss for the year:								
Changes in fair value of available-for-sale investments	–	–	(247)	–	–	–	–	(247)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(23,085)	(23,085)
Total comprehensive income for the year	–	–	(247)	–	–	213,517	(23,085)	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
Issue of shares — allotment option	3	1,075	–	–	–	–	–	1,078
Share issue expenses	–	(35,721)	–	–	–	–	–	(35,721)
Forfeited share options	–	–	–	(873)	–	–	–	(873)
Equity-settled share option arrangements	–	–	–	9,055	–	–	–	9,055
2015 interim dividend (note 12)	–	–	–	–	–	(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

These reserve accounts comprise the consolidated reserves of HK$1,028,820,000 (2015: HK$1,002,783,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**61,638**	253,843
Adjustments for:			
Finance costs	8	**1,935**	3,935
Interest income	6	**(5,497)**	(2,580)
Write-down of inventories to net realisable value	7	**31,476**	26,408
Fair value (gains)/losses, net:			
Derivative instruments — transactions not qualifying as hedges	7	**765**	(2,415)
Depreciation	7	**35,323**	25,768
Amortisation of prepaid land lease prepayments	7	**95**	95
Amortisation of intangible assets	7	**1,652**	666
Gain on disposal of a subsidiary	6	**(58)**	–
Loss on disposal of items of property, plant and equipment	7	**2,083**	2,070
Listing expenses	7	**–**	22,978
Equity-settled share option expense	29	**10,022**	8,182
Equity-settled share award scheme expense	30	**641**	–
		140,075	338,950
Decrease/(increase) in inventories		**139,650**	(119,531)
Decrease in trade and bills receivables		**2,639**	13,366
Decrease in amounts due from related parties		**498**	110
Decrease/(increase) in prepayments, deposits and other receivables		**16,860**	(35,446)
Decrease in trade and bills payables		**(63,962)**	(112,054)
Decrease in amounts due to related parties		**(280)**	(1,143)
(Decrease)/increase in other payables and accruals		**(83,600)**	20,120
Cash generated from operations		**151,880**	104,372
Tax paid		**(16,834)**	(59,141)
Net cash flows from operating activities		**135,046**	45,231

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(21,090)**	(83,356)
Acquisition of subsidiaries		**(86,221)**	–
Disposal of a subsidiary		**58**	–
Purchase of available-for-sale investments		**(66,429)**	–
Decrease in available-for-sale investments		**–**	59,682
Decrease in derivative financial instruments		**(4,458)**	–
Interest received		**5,497**	2,580
(Increase)/decrease in pledged deposits		**40,679**	(13,678)
Gross proceeds from disposals of items of property, plant and equipment		**2,970**	1,199
Net cash flows used in investing activities		**(128,994)**	(33,573)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**240,684**	212,009
Repayments of bank loans		**(351,709)**	(164,826)
Interest paid		**(1,935)**	(3,935)
Dividends paid		**(58,423)**	(198,019)
Payment of listing expenses		**–**	(53,946)
Proceeds from issue of shares		**50,400**	677,078
Issuance of new shares by exercise of share options		**795**	–
Share issue expenses		**(403)**	–
Shares purchased for Share Award Scheme	30	**(14,000)**	–

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Net cash flows from/(used in) financing activities		**(134,591)**	468,361
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(128,539)**	480,019
Cash and cash equivalents at beginning of year		**629,990**	167,167
Effect of foreign exchange rate changes, net		**(21,015)**	(17,196)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**480,436**	629,990
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**402,885**	629,990
Non-pledged time deposits with original maturity of less than three months when acquired	23	**77,551**	–
Cash and cash equivalents as stated in the statement of financial position		**480,436**	629,990
Cash and cash equivalents as stated in the statement of cash flows		**480,436**	629,990

Notes to Financial Statements

31 December 2016

1. Corporate and group 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 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 (the "Directors"), the immediate holding company and the ultimate holding company of the Company are Fortune Six Investment Ltd., a company incorporated in the British Virgin Islands.

1. Corporate and group information *(Continued)*

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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 camera products and related accessories
Sky Light Imaging Limited ("Sky Light Imaging")	Hong Kong 22 August 2006	HK$5,000,000	–	100%	Distribution of camera products and related accessories
Sky Light Technology (Heyuan) Limited ("Sky Light Technology (HY)") # 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 camera products and related accessories
iON America LLC ("iON America") (a)	America	US$17,701,000	–	100%	Distribution of camera products and related accessories

\# 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.

Note:

(a) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network. iON America is acquired by the Group during the year. Further details of this acquisition are included in note 32 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of presentation

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 ("HKICPA"), 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The 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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 Basis of presentation *(Continued)*

Basis of consolidation *(Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policy 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)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*

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

2.2 Changes in accounting policy and disclosures *(Continued)*

(a) 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 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.

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 July 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
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:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet effective Hong Kong financial reporting standards *(Continued)*

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:

(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.

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018. During the year ended 31 December 2016, the Group performed a preliminary assessment on the impact of the adoption of HKFRS 15.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.3 Issued but not yet effective Hong Kong financial reporting standards *(Continued)*

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3. Summary of significant accounting policies *(Continued)*

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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.

3. Summary of significant accounting policies *(Continued)*

Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3. Summary of significant accounting policies *(Continued)*

Impairment of non-financial assets (Continued)

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

(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;

3. Summary of significant accounting policies *(Continued)*

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies: *(Continued)*

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Leasehold improvements	18%
Machinery	9%–18%
Motor vehicles	18%–33%
Office and other equipment	18%–50%

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.

3. Summary of significant accounting policies *(Continued)*

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

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 (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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.

Software, Trademark and Technology licencing agreement

Software, purchased trademark and technology licencing agreement are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 to 10 years.

Research and development expenses

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3. Summary of significant accounting policies *(Continued)*

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments 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 dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

3. Summary of significant accounting policies *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss (Continued)

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 less any allowance for impairment. 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.

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.

3. Summary of significant accounting policies *(Continued)*

Investments and other financial assets (Continued)

Available-for-sale investments *(Continued)*

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. Summary of significant accounting policies *(Continued)*

Impairment of financial assets

The Group assesses at the end of each of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 other expenses in the statement of profit or loss.

3. Summary of significant accounting policies *(Continued)*

Impairment of financial assets (Continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of purchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Gains or losses on liabilities held for trading are recognised in the consolidated statements of profit or loss 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.

3. Summary of significant accounting policies *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

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.

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.

3. Summary of significant accounting policies *(Continued)*

Derivative financial instruments (Continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

3. Summary of significant accounting policies *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. Summary of significant accounting policies *(Continued)*

Income tax (Continued)

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.

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:

Income from the sale of goods is recognised, 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

Interest income is recognised, 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.

3. Summary of significant accounting policies *(Continued)*

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 notes 29 and 30 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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 the consolidated statement of 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 the consolidated statement of 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.

3. Summary of significant accounting policies *(Continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. 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 translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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 is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. 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 Hong Kong dollar 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 Hong Kong dollar 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4. Significant accounting judgement and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was HK$93,089,000 (2015: Nil). Further details are given in note 17.

4. Significant accounting judgement and estimates *(Continued)*

Estimation uncertainty (Continued)

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 2016 and 2015 were HK$121,387,000 and HK$141,064,000, respectively. Further details are given in note 14.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from a subsidiary in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends. Withholding taxes are provided for the profits of the subsidiary in the PRC which the Group considers that it is probable to be distributed in the foreseeable future.

4. Significant accounting judgement and estimates *(Continued)*

Estimation uncertainty (Continued)

Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2016 was HK$4,357,000 (2015: Nil). The amount of unrecognised tax losses at 31 December 2016 was HK$39,085,000 (2015: HK$9,031,000). Further details are contained in note 27 to the financial statements.

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 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 HK$'000	2015 HK$'000
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
	1,339,611	2,736,152

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

5. Operating segment information *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

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

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 HK$'000	2015 HK$'000
Customer A	**476,546**	360,593
Customer B	**176,289**	–
Customer C	**117,962**	1,818,341

6. 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 HK$'000	2015 HK$'000
Revenue		
Sale of goods	**1,339,611**	2,736,152
Other income and gains		
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
Exchange gains	**10,503**	19,528
Gain on disposal of a subsidiary	**58**	–
Others	**4,871**	3,183
	28,541	32,183

* 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	2016 HK$'000	2015 HK$'000
Cost of inventories sold		**982,728**	2,163,601
Depreciation	14	**35,323**	25,768
Amortisation of prepaid land lease payments	16	**95**	95
Amortisation of intangible assets*	15	**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 (note 9)):			
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**	–
		288,891	340,510
Write-down of inventories to net realisable value		**31,476**	26,408
Fair value (gains)/losses, net:			
Derivative instruments — transactions not qualifying as hedges	20	**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
Gain on disposal of a subsidiary		**(58)**	–
Bank interest income		**(5,497)**	(2,580)

* 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 statement of profit or loss.

8. Finance costs

	2016 HK$'000	2015 HK$'000
Interest on bank loans	**1,935**	3,935

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 an executive director Mr. Tang Wing Fong Terry, received remuneration from certain of the subsidiaries now comprising the Group during the year 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:

	2016 HK$'000	2015 HK$'000
Fees	**960**	480
Other emoluments		
Salaries, allowances and benefits in kind	**2,137**	2,072
Performance related bonuses*	**380**	537
Equity-settled share option expense	**1,254**	555
Pension scheme contributions	**58**	56
	3,829	3,220
	4,789	3,700

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

9. Directors' and chief executive's remuneration *(Continued)*

During the year, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

	2016		2015
	Fees HK$'000	Equity-settled share option expense HK$'000	Fees HK$'000
Mr. Chan Tsu Ming Louis	**240**	**69**	120
Dr. Cheung Wah Keung	**240**	**69**	120
Mr. Wong Kee Fung Kenneth	**240**	**69**	120
	720	**207**	360

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

9. Directors' and chief executive's remuneration *(Continued)*

(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
2016						
Executive directors:						
Mr. Tang Wing Fong Terry	–	842	130	–	18	990
Mr. Wu Yongmou	–	900	132	–	11	1,043
Mr. Lu Yongbin	–	395	118	–	29	542
	–	2,137	380	–	58	2,575
Non-executive directors:						
Mr. Huang Erwin Steve	240	–	–	1,047	–	1,287
Ms. Tang Kam Sau	–	–	–	–	–	–
	240	–	–	1,047	–	1,287
	240	2,137	380	1,047	58	3,862

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
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

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

10. Five highest paid employees

The five highest paid employees during the year included two directors (2015: two), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company during the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**2,836**	2,403
Performance related bonuses	**717**	727
Equity-settled share option expense	**2,470**	1,965
Pension scheme contributions	**49**	64
	6,072	5,159

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

	2016	2015
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
	3	3

During the year and in prior years, share options were granted to three non-director and non-chief executive highest paid employee in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. Income tax

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

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong 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 ("CIT") 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 Shenzhen and Sky Light Technology (HY), 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.

	2016 HK$'000	2015 HK$'000
Current — Mainland China	**11,592**	21,012
Current — Hong Kong	**4,656**	22,034
Deferred (note 27)	**(8,338)**	(2,720)
Total tax charge for the year	**7,910**	40,326

11. Income Tax *(Continued)*

2016	Mainland China		Hong Kong		America		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	**73,575**		**19,508**		**(31,445)**		**61,638**	
Tax at the statutory tax rates	**18,394**	**25.00**	**3,219**	**16.50**	**(12,578)**	**40.00**	**9,035**	**14.66**
Entities subject to lower statutory income tax rates	**(12,480)**	**(16.96)**	**(294)**	**(1.50)**	**–**	**–**	**(12,774)**	**(20.72)**
Expenses not deductible for tax	**199**	**0.27**	**1,762**	**9.03**	**14**	**(0.04)**	**1,975**	**3.20**
Tax losses not recognised	**1,671**	**2.27**	**499**	**2.56**	**8,034**	**(25.55)**	**10,204**	**16.55**
Income not subject to tax	**–**	**–**	**(530)**	**(2.72)**	**–**	**–**	**(530)**	**(0.86)**
Tax charge at the Group's effective tax rate	**7,784**	**10.58**	**4,656**	**23.87**	**(4,530)**	**14.41**	**7,910**	**12.83**

2015	Mainland China		Hong Kong		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	158,576		95,267		253,843	
Tax at the statutory tax rates	39,644	25.00	15,719	16.50	55,363	21.81
Entities subject to lower statutory income tax rates	(22,382)	(14.10)	–	–	(22,382)	(8.82)
Expenses not deductible for tax	214	0.13	5,035	5.29	5,249	2.07
Tax losses not recognised	816	0.51	1,280	1.34	2,096	0.83
Tax charge at the Group's effective tax rate	18,292	11.54	22,034	23.13	40,326	15.89

12. Dividends

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

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

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 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.

13. Earnings per share attributable to ordinary equity holders of the parent *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**53,728**	213,517

	Number of shares 2016	Number of shares 2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**810,714,000**	700,416,000
Effect of dilution — weighted average number of ordinary shares: Share options and shares awarded	**1,464,000**	8,534,000
Adjusted weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**812,718,000**	708,950,000
Basic earnings per share	**HK6.6 cents**	HK30.5 cents
Diluted earnings per share	**HK6.6 cents**	HK30.1 cents

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 2016						
At 31 December 2015 and at 1 January 2016:						
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
At 1 January 2016, net of accumulated depreciation	6,607	3,879	119,701	2,374	8,503	141,064
Acquisition of subsidiaries	–	130	141	76	1,168	1,515
Additions	–	5,048	12,918	791	8,254	27,011
Disposals	–	(242)	(2,854)	(693)	(1,264)	(5,053)
Depreciation provided during the year (note 7)	(304)	(1,885)	(28,501)	(713)	(3,920)	(35,323)
Exchange realignment	(281)	(102)	(6,834)	(121)	(489)	(7,827)
At 31 December 2016, net of accumulated depreciation	6,022	6,828	94,571	1,714	12,252	121,387
At 31 December 2016:						
Cost	6,789	13,888	171,401	3,480	23,354	218,912
Accumulated depreciation	(767)	(7,060)	(76,830)	(1,766)	(11,102)	(97,525)
Net carrying amount	6,022	6,828	94,571	1,714	12,252	121,387

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 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

None of the Group's banking facilities were secured by the Group's buildings as at 31 December 2016 (31 December 2015: buildings with a carrying value of HK$1,994,000).

Certificates of ownership in respect of certain buildings of the Group located in Mainland China with a net carrying value of HK$4,092,000 as at 31 December 2016 (31 December 2015: HK$4,613,000) have not yet been issued by the relevant Mainland China authorities. The Group is in the process of obtaining these certificates.

15. Intangible Assets

	Trademarks HK$'000	Technology licencing agreement HK$'000	Software HK$'000	Total HK$'000
31 December 2016				
Cost at 1 January 2016, net of accumulated amortisation	–	–	11,529	11,529
Acquisition of subsidiaries	23,905	4,040	–	27,945
Additions	–	–	1,081	1,081
Amortisation provided during the year (note 7)	(393)	(475)	(784)	(1,652)
Exchange realignment	–	–	(1,391)	(1,391)
At 31 December 2016, net of accumulated amortisation	23,512	3,565	10,435	37,512
At 31 December 2016:				
Cost	23,905	4,040	13,193	41,138
Accumulated amortisation	(393)	(475)	(2,758)	(3,626)
Net carrying amount	23,512	3,565	10,435	37,512
31 December 2015				
Cost at 1 January 2015, net of accumulated amortisation	–	–	6,315	6,315
Additions	–	–	6,249	6,249
Amortisation provided during the year (note 7)	–	–	(666)	(666)
Exchange realignment	–	–	(369)	(369)
At 31 December 2015, net of accumulated amortisation	–	–	11,529	11,529
At 31 December 2015:				
Cost	–	–	13,953	13,953
Accumulated amortisation	–	–	(2,424)	(2,424)
Net carrying amount	–	–	11,529	11,529

16. Prepaid land lease payments

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**2,990**	3,085
Recognised during the year (note 7)	**(95)**	(95)
Carrying amount at 31 December	**2,895**	2,990
Current portion included in prepayments, deposits and other receivables (note 22)	**(95)**	(95)
Non-current portion	**2,800**	2,895

None of the Group's banking facilities were secured by the Group's prepaid land lease payments as at 31 December 2016 (31 December 2015: prepaid land lease payments with a carrying value of HK$2,990,000).

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

17. Goodwill

	HK$'000
Cost and net carrying amount at 31 December 2015 and 1 January 2016	–
Acquisition of a subsidiary (note 32)	93,089
Cost and net carrying amount at 31 December 2016	93,089
At 31 December 2016:	
Cost	93,089
Accumulated impairment	–
Net carrying amount	93,089

17. Goodwill *(Continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Industrial products cash-generating unit

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 25.6%. The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 3%.

Assumptions were used in the value in use calculation of the industrial products cash-generating units for 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for local markets from where the raw materials are sourced.

The values assigned to the key assumptions on market development of industrial products, discount rates and raw materials price inflation are consistent with external information sources.

18. Inventories

	2016 HK$'000	2015 HK$'000
Raw materials	**45,380**	142,953
Work in progress	**39,064**	70,463
Finished goods	**85,344**	72,703
	169,788	286,119

19. Trade receivables

	2016 HK$'000	2015 HK$'000
Trade receivables	**285,823**	245,466
Impairment	**–**	–
	285,823	245,466

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:

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

19. Trade receivables *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**248,652**	244,494
Less than 60 days past due	**28,369**	844
Over 60 days past due	**8,802**	128
	285,823	245,466

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.

20. Derivative financial instruments

	2016 HK$'000	2015 HK$'000
Forward currency contracts	**–**	3,693

The Group has entered into various contracts to manage its exchange rate exposures, which did not meet the criteria for hedge accounting. The forward currency contracts have been settled in 2016. Fair value losses amounting to HK$765,000 were recognised in the consolidated statement of profit or loss in 2016 (2015: Gains of HK$2,415,000).

21. Available-for-sale investments

	2016 HK$'000	2015 HK$'000
Non-current assets		
Unlisted equity investments, at cost	**61,180**	7,750
Current		
Unlisted equity investments, at fair value	**10,400**	2,831

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$186,000 (2015: HK$247,000), of which none (2015: Nil) was reclassified from other comprehensive income to the statement of profit or loss for the year.

As at 31 December 2016 and 2015, 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. The Group's non-current available-for-sale investments represented investments in unlisted equity. These unlisted equity investments were made in start-up companies which have synergy with the Group's business.

As at 31 December 2016, certain unlisted equity investments with a carrying amount of HK$61,180,000 (2015: HK$7,750,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

22. Prepayments, deposits and other receivables

	2016 HK$'000	2015 HK$'000
Non-current assets		
Non-current prepayments	**6,879**	13,881
Current assets		
Prepayments	**8,137**	4,893
Deposits and other receivables	**82,904**	93,532
Prepaid land lease payments (note 16)	**95**	95
	91,136	98,520

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.

23. Cash and cash equivalents and pledged deposits

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**402,885**	629,990
Time deposits	**77,551**	40,679
	480,436	670,669
Less: Pledged time deposits		
Pledged for bank loans (note 24)	**–**	(40,679)
Cash and cash equivalents	**480,436**	629,990
Cash and bank balances denominated in		
— Renminbi ("RMB")	**72,858**	175,245
— United States dollars ("US$")	**232,101**	196,822
— HK$	**174,136**	248,629
— Other currencies	**1,341**	9,294
Cash and cash equivalents	**480,436**	629,990

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.

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 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.

24. Interest-bearing bank and other borrowings

Current	2016 Effective interest rate (%)	2016 Maturity	2016 HK$'000	2015 Effective interest rate (%)	2015 Maturity	2015 HK$'000
Bank loans-unsecured	**1.8 ~ 2.2**	**2017**	**100,984**	–	–	–
Bank loans-secured	**–**	**–**	**–**	0.8 ~ 2.1	2016	212,009
			100,984			212,009

Analysed into:	2016 HK$'000	2015 HK$'000
Bank loans:		
Within one year	**100,984**	212,009

The Group's bank facilities amounted to HK$290,755,000 and HK$443,597,000 in 2016 and 2015 respectively, of which HK$100,984,000 and HK$212,009,000 had been utilised as at the end of the year.

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.

All borrowing are denominated in United States dollars.

25. 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 HK$'000	2015 HK$'000
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
	171,831	164,064

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

26. Other payables and accruals

	2016 HK$'000	2015 HK$'000
Deposits received from customers	**10,704**	36,921
Other payables	**19,979**	18,588
Salary and welfare payables	**39,920**	43,809
Accruals	**3,366**	372
	73,969	99,690

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.

27. Deferred tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Deferred tax assets have been recognised in respect of temporary differences between the carrying amounts and tax bases of inventory provision.

	Inventory provision HK$'000
At 1 January 2015	2,634
Deferred tax credited to the statement of profit or loss during the year (note 11)	2,720
At 31 December 2015 and 1 January 2016	5,354
Deferred tax credited to the statement of profit or loss during the year (note 11)	8,083
At 31 December 2016	13,437

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2015, 31 December 2015 and 1 January 2016	–	871	871
Acquisition of a subsidiary (note 32)	5,510	–	5,510
Deferred tax credited to the statement of profit or loss during the year (note 11)	(255)	–	(255)
At 31 December 2016	5,255	871	6,126

27. Deferred tax *(Continued)*

Deferred tax liabilities (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2016 HK$'000	2015 HK$'000
Tax losses	**39,085**	9,031
Deductible temporary differences	**17,706**	8,182
	56,791	17,213

The above tax losses and deductible temporary differences are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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 year. 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.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. Share capital

Shares

	2016 HK$'000	2015 HK$'000
Issued and fully paid:		
849,277,000 (2015: 800,319,000) ordinary shares	**8,493**	8,003

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 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 and 1 January 2016	800,319,000	8,003	633,364	641,367
Issue of new shares (d)	48,000,000	480	49,920	50,400
Share options exercised (e)	958,000	10	1,924	1,934
	849,277,000	8,493	685,208	693,701
Share issue expenses (d)	–	–	(403)	(403)
At 31 December 2016	849,277,000	8,493	684,805	693,298

28. 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. 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. Dealing 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.

(d) On 3 October 2016, the Company placed an aggregate of 48,000,000 ordinary shares of HK$0.01 each for a total consideration of HK$50,400,000, before share issue expenses of HK$403,000. The consideration received in excess of the par value of these placed shares of approximately HK$49,517,000 was credited to the share premium account.

(e) The subscription rights attaching to 958,000 share options were exercised at the subscription price of HK$0.83 per share (note 29) during the year ended 31 December 2016 (2015: Nil), resulting in the issue of 958,000 shares for a total cash consideration of HK$795,000. An amount of HK$1,139,000 was transferred from the share option reserve to the share capital account upon the exercise of the share options.

29. Share option schemes

The Company has adopted two share option schemes (the "Schemes", including the "Pre-IPO Share Option Scheme" and "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 year:

	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
29/05/2015	–	21,024,000	(2,160,000)	18,864,000	02/07/2016-02/07/2019	0.83

	Numbers of share options						
Date of grant	At 1 January 2016	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2016	Exercise period (both dates inclusive)	Exercise price per share
29/05/2015	18,864,000	–	(958,000)	(2,779,000)	15,127,000	02/07/2016-02/07/2019	0.83

Notes:

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

b. The fair value of the share options granted in 2015 was HK$24,973,000 (HK$1.18783 each), of which the Group recognised a share option expense of HK$7,163,000 (2015: HK$8,500,000) during the year ended 31 December 2016.

29. Share option schemes *(Continued)*

Pre-IPO Share Option Scheme (Continued)

Notes: *(Continued)*

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

The 958,000 share options exercised during the year resulted in the issue of 958,000 ordinary shares of the Company and new share capital of HK$9,580 (before issue expenses), as further detailed in note 28 (e) to the financial statements.

As at 31 December 2016, the Company had 15,127,000 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 15,127,000 additional ordinary shares of the Company and additional share capital of HK$151,000 and share premium of HK$30,372,000 (before issue expenses).

29. Share option schemes *(Continued)*

Share Option Scheme

The following share options were outstanding under the Share Option Scheme of the Company during the year:

Date of grant	Numbers of share options: At 1 January 2015	Granted during the year	At 31 December 2015	Exercise period (both dates inclusive)	Exercise price per share
(i) 27/07/2015	–	2,000,000	2,000,000	27/07/2016-26/07/2020	3.46

Date of grant	Numbers of share options: At 1 January 2016	Granted during the year	Forfeited during the year	At 31 December 2016	Exercise period (both dates inclusive)	Exercise price per share
(i) 27/07/2015	2,000,000	–	–	2,000,000	27/07/2016-26/07/2020	3.46
(ii) 15/09/2016	–	12,942,000	(81,000)	12,861,000	15/09/2017-14/09/2024	1.70
(iii)01/12/2016	–	19,900,000	–	19,900,000	01/12/2017-30/01/2025	1.986
	2,000,000	32,842,000	(81,000)	34,761,000		

Notes:

(i) 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 2nd anniversary date of 27 July 2015.

The fair value of the share options granted in 2015 was HK$1,814,000 (HK$0.907 each), of which the Group recognised a share option expense of HK$978,000 (2015: HK$555,000) during the year ended 31 December 2016.

(ii) One-third of these share options shall become vested on the 1st anniversary date of 15 September 2016, a further one-third shall become vested on the 2nd anniversary date of 15 September 2016, and the remaining one-third shall become vested on the 3rd anniversary date of 15 September 2016.

The fair value of the share options granted during the year was HK$8,111,000 (HK$0.62672 each), of which the Group recognised a share option expense of HK$1,191,000 (2015: Nil) during the year ended 31 December 2016.

(iii) One-third of these share options shall become vested on the 1st anniversary date of 1 December 2016, a further one-third shall become vested on the 2nd anniversary date of 1 December 2016, and the remaining one-third shall become vested on the 3rd anniversary date of 1 December 2016.

The fair value of the share options granted during the year was HK$13,990,000 (HK$0.703 each), of which the Group recognised a share option expense of HK$690,000 (2015: Nil) during the year ended 31 December 2016.

29. Share option schemes *(Continued)*

Share Option Scheme (Continued)

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

At grant date	15 September 2016 & 1 December 2016	27 July 2015
(i) Expected volatility	45.69 – 65.81% per year	45.69 – 46.80% per year
(ii) Expected life of options	6.0 – 8.17	4.0 – 5.0
(iii) Average risk-free interest rate	1.44 – 2.09% per year	1.47 – 1.66% per year
(iv) Expected dividend yield	3.93% – 5.32% per year	3.93% per year
(v) Estimated rate of leaving service	0% – 25%per year	0% per year

As at 31 December 2016, the Company had 34,761,000 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 34,761,000 additional ordinary shares of the Company and additional share capital of HK$348,000 and share premium of HK$91,821,000 (before issue expenses).

30. Share Award Scheme

A share award scheme was adopted on 20 September 2016 (the "Share Award Scheme"). The Share Award Scheme is to recognise the contributions made by certain employees and to provide them with incentives in order to maintain the continual operation and development of the Group; and to attract suitable personnel for further development of the Group.

The awarded shares will be acquired by an independent trustee ("the Trustee") from the open market by utilizing the Company's resources provided to the Trustee. The maximum number of shares in respect of which shares may be granted under the Share Award Scheme and which may be awarded to a selected employee shall not exceed 10% and 2.5% respectively of the issued share capital of the Company as at 20 September 2016.

Subject to any early termination as may be determined by the board of directors pursuant to the terms of the Share Award Scheme, the scheme shall be valid and effective from 20 September 2016 to the date the last of the awarded shares has been vested and transferred to the relevant selected employee or has lapsed in accordance with the terms provided that no award shall be made on or after 10 years of 20 September 2016.

30. Share Award Scheme *(Continued)*

During the year ended 31 December 2016, based on the Company's instructions, the Trustee has purchased a total of 6,558,000 ordinary shares of the Company on the Stock Exchange at prices ranging from HK$1.79 to HK$2.30 per share at a total consideration (including related transaction costs) of approximately HK$14,000,000.

The Company granted 6,558,000 shares to a certain employee on 29 November 2016，which will be vested in tranches of one-third each on every anniversary date of the grant date. The fair value of the granted shares is calculated based on the closing market price of the shares (HK$1.92) on the day of the grant, amounted to HK$12,591,000. The Group recognised a share award expense of HK$641,000 during the year.

31. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 68 to 69 of the financial statements.

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.

32. Business Combination

On 31 October 2016, the Group acquired a 100% interest in iON Worldwide Inc and its subsidiaries ("iON Group"). iON Group is a US-based camera provider. The acquisition for the Group is to broaden its range of investments, diversify its revenue sources, leveraging on the iON Group's product range, brands, intellectual property licenses held and customer base. The purchase consideration for the acquisition was in the form of cash, with US$12,044,000 (equivalent to HK$93,399,000) paid at the acquisition date.

The fair values of the identifiable assets and liabilities of iON Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment		1,284
Cash and bank balances		3,875
Inventories		23,226
Intangible assets		27,639
Trade receivables		10,958
Prepayments and other receivables		1,388
Trade payables		(45,722)
Accruals and other payables		(16,828)
Deferred tax liabilities	27	(5,510)
Total identifiable net assets at fair value		310
Goodwill on acquisition	17	93,089
Satisfied by cash		93,399

The Group incurred transaction costs of HK$1,304,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$93,089,000 recognised above are mainly distribution channel, assembled workforce, know-how, which are not recognised separately. They are not separable and therefore they do not meet the criteria for recognition as intangible assets under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

32. Business combination *(Continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(93,399)
Cash and bank balances acquired	3,875
Net outflow of cash and cash equivalents included in cash flows from investing activities	(89,524)
Transaction costs of the acquisition included in cash flows from operating activities	(1,304)
	(90,828)

Since the acquisition, iON Group contributed HK$6,379,000 to the Group's revenue and caused a loss of HK$6,446,000 to the consolidated profit for the year ended 31 December 2016.

33. Pledge of assets

Details of the Group's bank loans, which were secured by the assets of the Group, are included in notes 14, 16 and 23 to the financial statements.

34. 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 HK$'000	2015 HK$'000
Within one year	**14,808**	17,320
In the second to fifth years, inclusive	**26,087**	35,192
After five years	**4,040**	–
	44,935	52,512

35. Commitments

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the year:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Unpaid investment amount	**22,359**	–
Plant and machinery	**2,576**	6,976
	24,935	6,976

36. Contingent liabilities

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

37. 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 year:

	2016 HK$'000	2015 HK$'000
Rental expenses:		
XinYongYi Technology Park (Heyuan) Limited ("XinYongYi")	**5,580**	6,074

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$465,000 and HK$506,000 for the years ended 31 December 2016 and 2015. The rental was determined according to negotiation with the counterparties.

37. Related party transactions and balances *(Continued)*

(2) Compensation of key management personnel of the Group

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**5,617**	4,329
Equity-settled share option and share award scheme expenses	**1,622**	509
Post-employment benefits	**129**	101
Total compensation paid to key management personnel	**7,368**	4,939

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

(3) Outstanding balances with related parties

	2016 HK$'000	2015 HK$'000
Due from related parties		
XinYongYi	**1,184**	1,645
Shenzhen Yongyida Electronics Co., Ltd. ("YongYiDa")	**–**	37
	1,184	1,682
Due to related parties		
YongYiDa	**39**	128
XinYongYi	**331**	510
	370	638

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

38. Financial instruments by category

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

2016

Financial assets	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Trade receivables	**285,823**	**–**	**285,823**
Bills receivable	**9,610**	**–**	**9,610**
Financial assets included in deposits and other receivables	**69,155**	**–**	**69,155**
Cash and cash equivalents	**480,436**	**–**	**480,436**
Available-for-sale investments	**–**	**71,580**	**71,580**
Due from related parties	**1,184**	**–**	**1,184**
	846,208	**71,580**	**917,788**

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

38. Financial instruments by category *(Continued)*

2016

	Financial liabilities at amortised cost HK$'000
Interest-bearing bank loans	**100,984**
Trade payables	**171,831**
Bills payable	**2,593**
Financial liabilities included in other payables and accruals	**63,266**
Due to related parties	**370**
	339,044

2015

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

39. Fair value and fair value hierarchy of financial instruments

At 31 December 2016 and 2015, 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, amounts due from/to related parties, 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:

39. Fair value and fair value hierarchy of financial instruments *(Continued)*

Assets measured at fair value:

As at 31 December 2016	Fair value measurement using quoted prices in active markets (Level 1) HK$'000
Available-for-sale investments:	
Debt investments	**10,400**

As at 31 December 2015	Fair value measurement using quoted prices in active markets (Level 1) HK$'000
Available-for-sale investments:	
Debt investments	2,831

Liabilities measured at fair value:

As at 31 December 2015	Fair value measurement using significant observable inputs (Level 2) HK$'000
Derivative financial instruments	3,693

The Group did not have any financial liabilities measured at fair value as at 31 December 2016.

During the year, 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 year (2015: Nil).

40. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans and other borrowings, 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 and bills receivables, other receivables, trade and bills payables, 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 90.6% and 98.8% of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 61.2% and 51.2% of inventory costs were denominated in the units' functional currencies for the years ended 31 December 2016 and 2015, respectively.

The following table demonstrates the sensitivity at the end of the year to a reasonably possible change in the US$ exchange rate and RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
As at 31 December 2016			
If HK$ weakens against US$	**5**	**3,814**	**3,185**
If HK$ strengthens against US$	**(5)**	**(3,814)**	**(3,185)**
If HK$ weakens against RMB	**5**	**1,654**	**21,227**
If HK$ strengthens against RMB	**(5)**	**(1,654)**	**(21,227)**
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)

* Excluding retained profits

40. Financial risk management objectives and policies *(Continued)*

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 71.1% and 98.0% of the Group's trade receivables were due from the Group's five largest customers as at 31 December 2016 and 2015, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

40. 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 2016 and 2015, based on the contractual undiscounted payments, are as follows:

		2016	
	On demand HK$'000	Less than 1 year HK$'000	Total HK$'000
Interest-bearing bank loans	**–**	**101,227**	**101,227**
Trade payables	**–**	**171,831**	**171,831**
Bills payable		**2,593**	**2,593**
Due to related parties	**–**	**370**	**370**
Financial liabilities included in other payables and accruals	**63,266**	**–**	**63,266**
	63,266	**276,021**	**339,287**

		2015	
	On demand HK$'000	Less than 1 year HK$'000	Total HK$'000
Interest-bearing bank loans	–	212,574	212,574
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	381,468	444,237

40. 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 of the underlying assets. 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 2016 and 2015.

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 year was as follows:

	2016	2015
Interest-bearing bank and other borrowings	**100,984**	212,009
Total equity	**1,023,313**	1,010,786
Gearing ratio	**9.9%**	21.0%

41. 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 RMB20,000,000 (equivalent to HK$22,359,000). The Group plans to measure this investment at equity method.

42. Statement of financial position of the company

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Amounts due from subsidiaries	**610,031**	635,117
Investment in a subsidiary	**22,000**	22,000
Total non-current assets	**632,031**	657,117
CURRENT ASSETS		
Cash and cash equivalents	**1,430**	943
Total current assets	**1,430**	943
CURRENT LIABILITIES		
Other payables	**169**	696
Total current liabilities	**169**	696
NET CURRENT ASSETS	**1,261**	247
Net assets	**633,292**	657,364
EQUITY		
Issued capital	**8,493**	8,003
Shares held for Share Award Scheme	**(14,000)**	–
Reserves	**638,799**	649,361
Total equity	**633,292**	657,364

Tang Wing Fong Terry
Director

Lu Yongbin
Director

42. Statement of financial position of the company *(Continued)*

Note:

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

	Share premium account HK$'000	Share Award reserve HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2015	–	–	–	81,350	5,903	87,253
Total comprehensive loss for the year	–	–	–	–	(31,419)	(31,419)
Capitalisation issue	(5,990)	–	–	–	–	(5,990)
Issue of shares	674,000	–	–	–	–	674,000
Share issue — allotment option	1,075	–	–	–	–	1,075
Share issue expenses	(35,721)	–	–	–	–	(35,721)
Equity-settled share option arrangement	–	–	9,055	–	–	9,055
Forfeited share options	–	–	(873)	–	–	(873)
Interim 2015 dividend	–	–	–	–	(48,019)	(48,019)
At 31 December 2015 and 1 January 2016	**633,364**	**–**	**8,182**	**81,350**	**(73,535)**	**649,361**
		–				
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(13,104)**	**(13,104)**
Issue of shares	**49,920**	**–**	**–**	**–**	**–**	**49,920**
Share issue expenses	**(403)**	**–**	**–**	**–**	**–**	**(403)**
Issue of shares and exercise of share options	**1,924**	**–**	**(1,139)**	**–**	**–**	**785**
Equity-settled share option arrangements	**–**	**–**	**10,022**	**–**	**–**	**10,022**
Equity-settled share award scheme arrangements	**–**	**641**	**–**	**–**	**–**	**641**
Final 2015 dividend	**–**	**–**	**–**	**–**	**(58,423)**	**(58,423)**
At 31 December 2016	**684,805**	**641**	**17,065**	**81,350**	**(145,062)**	**638,799**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 3 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

43. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 23 March 2017.

Five Year Financial Summary

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

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	**1,339,611**	2,736,152	2,092,385	1,622,527	1,658,829
Gross profit	**325,407**	546,143	445,767	335,357	328,390
Gross profit margin	**24.3%**	20.0%	21.3%	20.7%	19.8%
Profit before tax	**61,638**	253,843	246,484	201,407	213,607
Profit for the year	**53,728**	213,517	201,888	165,033	171,521
Net profit margin	**4.0%**	7.8%	9.6%	10.2%	10.3%
Profit attributable to owners of the Company	**53,728**	213,517	201,906	147,439	122,617
Cash and cash equivalents	**480,436**	629,990	167,167	104,138	218,639
Bank and other borrowings	**100,984**	212,009	164,826	172,342	82,478
Total assets	**1,384,661**	1,498,311	921,009	862,483	670,205
Total liabilities	**361,348**	487,525	701,928	620,798	326,348
Equity attributable to owners of the Company	**1,023,313**	1,010,786	219,081	241,598	255,095
Non-controlling interests	**–**	–	–	87	88,762
Total equity	**1,023,313**	1,010,786	219,081	241,685	343,857