SKY LIGHT HOLDINGS LIMITED
天彩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3882)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	2017	2016	Change
	HK$'000	*HK$'000*	
REVENUE	**735,780**	1,339,611	–45.1%
(LOSS)/PROFIT FOR THE YEAR	**(485,300)**	53,728	–1,003.3%
(LOSS)/PROFIT DIVIDED BY BUSINESS UNIT			
— Loss for the year from ION360 business	**(401,572)**	(19,880)	1,920.0%
— Loss for the year from ODM/JDM business	**(83,728)**	73,608	–213.7%
	(485,300)	53,728	–1,003.3%
FURTHER BREAKDOWN — (LOSS)/PROFIT ATTRIBUTABLE TO ODM/JDM BUSINESS			
— Impairment loss of long term investments and other receivable from ODM/JDM business	**(67,075)**	–	Not applicable
— Operating loss from ODM/JDM business	**(16,653)**	73,608	–122.6%
	(83,728)	73,608	–213.7%

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors ("**Directors**") of Sky Light Holdings Limited (the "**Company**") announces the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 ("**FY2017**"), together with the comparative figures for the year ended 31 December 2016 ("**FY2016**"). These consolidated financial results for FY2017 have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**735,780**	1,339,611
Cost of sales		**(574,460)**	(1,014,204)
Gross profit		**161,320**	325,407
Other income and gains	5	**15,349**	28,541
Selling and distribution expenses		**(127,202)**	(35,773)
Administrative expenses		**(143,494)**	(114,525)
Research and development expenses	6	**(182,548)**	(133,062)
Other expenses		**(188,683)**	(7,015)
Finance costs	7	**(1,409)**	(1,935)
Share of losses of associates		**(3,367)**	–
(LOSS)/PROFIT BEFORE TAX	6	**(470,034)**	61,638
Income tax expense	8	**(15,266)**	(7,910)
(LOSS)/PROFIT FOR THE YEAR		**(485,300)**	53,728
Attributable to:			
Owners of the parent		**(485,300)**	53,728
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		**HK(57.5) cents**	HK6.6 cents
Diluted		**HK(57.5) cents**	HK6.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(485,300)**	53,728
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	**405**	(186)
Exchange differences on translation of foreign operations	**27,669**	(30,047)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**28,074**	(30,233)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(457,226)**	23,495
Attributable to:		
Owners of the parent	**(457,226)**	23,495

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**107,447**	121,387
Prepaid land lease payments		**2,705**	2,800
Goodwill		**–**	93,089
Intangible assets		**11,801**	37,512
Investments in associates		**21,690**	–
Available-for-sale investments		**16,631**	61,180
Non-current prepayments		**6,263**	6,879
Deferred tax assets		**3,099**	13,437
Total non-current assets		**169,636**	336,284
CURRENT ASSETS			
Inventories	*11*	**414,653**	169,788
Trade receivables	*12*	**114,423**	285,823
Bills receivable		**–**	9,610
Available-for-sale investments		**10,805**	10,400
Due from a related party		**835**	1,184
Prepayments, deposits and other receivables		**71,947**	91,136
Cash and cash equivalents		**203,129**	480,436
Total current assets		**815,792**	1,048,377
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*13*	**89,265**	100,984
Trade payables	*14*	**209,843**	171,831
Bills payable		**18,580**	2,593
Other payables and accruals		**79,159**	73,969
Tax payable		**17,150**	5,475
Due to related parties		**296**	370
Total current liabilities		**414,293**	355,222
NET CURRENT ASSETS		**401,499**	693,155
TOTAL ASSETS LESS CURRENT LIABILITIES		**571,135**	1,029,439

	2017	2016
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**571,135**	1,029,439
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**871**	6,126
Total non-current liabilities	**871**	6,126
Net assets	**570,264**	1,023,313
EQUITY		
Equity attributable to owners of the parent		
Share capital	**8,571**	8,493
Shares held for share award scheme	**(9,333)**	(14,000)
Reserves	**571,026**	1,028,820
	570,264	1,023,313
Total equity	**570,264**	1,023,313

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 18 December 2013. The Company's registered office address is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 surveillance cameras
- 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 immediate holding company and the ultimate holding company of the Company is Fortune Six Investment Ltd., a company incorporated in the British Virgin Islands.

2. BASIS OF 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's consolidated financial statements and there have been no significant changes to the accounting policies applied in the consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the ODM/JDM business segment focuses on the sales, development and manufacturing of imaging products which mainly comprises home surveillance cameras, action cameras and related accessories and other digital imaging products;

(b) the ION360 business segment engages in the sales, development of cameras under its own brands.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2017	**ODM/JDM business** *HK$'000*	**ION360 business** *HK$'000*	**Total** *HK$'000*
Segment revenue:			
Sales to external customers	**712,338**	**23,442**	**735,780**
Intersegment sales	**110,211**	**–**	**110,211**
	822,549	**23,442**	**845,991**
Reconciliation:			
Elimination of intersegment sales	**(110,211)**	**–**	**(110,211)**
Revenue	**712,338**	**23,442**	**735,780**
Segment results	**(57,331)**	**(402,582)**	**(459,913)**
Reconciliation:			
Elimination of intersegment results	**(10,121)**	**–**	**(10,121)**
Loss before tax	**(67,452)**	**(402,582)**	**(470,034)**
Segment assets	**1,199,354**	**197,379**	**1,396,733**
Reconciliation:			
Elimination of intersegment receivables	**(411,305)**	**–**	**(411,305)**
Total assets	**788,049**	**197,379**	**985,428**
Segment liabilities	**408,641**	**417,828**	**826,469**
Reconciliation:			
Elimination of intersegment payables	**–**	**(411,305)**	**(411,305)**
Total liabilities	**408,641**	**6,523**	**415,164**
Other segment information:			
Share of losses of associates	**3,367**	**–**	**3,367**
Impairment losses recognised in the statement of profit or loss**	**67,075**	**114,841**	**181,916**
Depreciation and amortisation	**33,239**	**5,796**	**39,035**
Investments in associates	**21,690**	**–**	**21,690**
Capital expenditure*	**12,974**	**740**	**13,714**

Year ended 31 December 2016	ODM/JDM business HK$'000	ION360 business HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,333,232	6,379	1,339,611
Intersegment sales	3,254	–	3,254
	1,336,486	6,379	1,342,865
Reconciliation:			
Elimination of intersegment sales	(3,254)	–	(3,254)
Revenue	1,333,232	6,379	1,339,611
Segment results	86,048	(24,410)	61,638
Profit/(loss) before tax	86,048	(24,410)	61,638
Segment assets	1,359,305	91,731	1,451,036
Reconciliation:			
Elimination of intersegment receivables	(66,375)	–	(66,375)
Total assets	1,292,930	91,731	1,384,661
Segment liabilities	324,998	102,725	427,723
Reconciliation:			
Elimination of intersegment payables	–	(66,375)	(66,375)
Total liabilities	324,998	36,350	361,348
Other segment information:			
Depreciation and amortisation	35,311	1,664	36,975
Capital expenditure*	56,966	586	57,552

* Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries.

** Impairment losses recognised in the statement of profit or loss includes the impairment of goodwill, the impairment of available-for-sale investments, the impairment of investments in associates, the impairment of other receivables and the impairment of intangible assets.

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
United States of America	**451,914**	935,702
Mainland China	**101,743**	115,486
European Union	**156,909**	229,652
Hong Kong	**12,012**	44,136
Other countries and areas	**13,202**	14,635
	735,780	1,339,611

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

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**138,004**	131,142
Hong Kong	**10,421**	124,773
Other countries	**1,481**	5,752
	149,906	261,667

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 single customer, which individually accounted for 10% or more of the total revenue, is set out below:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**169,753**	476,546
Customer B	**101,896**	176,289
Customer C	**85,464**	114,009

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**735,780**	1,339,611
Other income and gains		
Bank interest income	**2,526**	5,497
Government grants:		
Related to income*	**12,545**	7,612
Exchange gains	**–**	10,503
Gain on disposal of a subsidiary	**–**	58
Others	**278**	4,871
	15,349	28,541

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

6. (LOSS)/PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**554,040**	982,728
Depreciation	**31,732**	35,323
Amortisation of intangible assets*	**7,303**	1,652
Research and development expenses	**182,548**	133,062
	775,623	1,152,765
Impairment of goodwill**	**93,089**	–
Minimum lease payments under operating leases	**20,455**	16,872
Amortisation of prepaid land lease payments	**95**	95
Auditors' remuneration	**2,509**	2,183
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**175,375**	260,936
Pension scheme contributions	**16,630**	18,546
Equity-settled share option expense	**16,325**	8,768
Equity-settled share award expense	**7,345**	641
	215,675	288,891
	331,823	308,041
Exchange losses/(gains), net	**4,244**	(10,503)
Write-down of inventories to net realisable value	**20,420**	31,476
Fair value losses, net:		
Derivative instruments — transactions not qualifying as hedges	**–**	765
Loss on disposal of items of property, plant and equipment	**5**	2,083
Impairment of other receivable**	**5,430**	–
Impairment of investments in associates**	**9,695**	–
Impairment of available-for-sale investments**	**51,950**	–
Impairment of intangible assets**	**21,752**	–
	113,496	23,821
	1,220,942	1,484,627

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

** The impairment of goodwill, the impairment of available-for-sale investments, the impairment of investments in associates, the impairment of other receivables and the impairment of intangible assets are included in "Other expenses" in the consolidated statement of profit and loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans	**1,409**	1,935

8. 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 at the rate of 25% on the taxable income. Preferential tax treatments were available for two (2016: two) of the Group's principal operating subsidiaries, Sky Light Electronics (Shenzhen) Limited and Sky Light Technology (Heyuan) Limited, since they were recognised as High and New Technology Enterprises and they were entitled to a preferential tax rate of 15% during the year.

The Group's subsidiaries in the United States are subject to the federal tax rate of 35%, and also subject to the statutory applicable state corporate income tax rate of 5%.

	2017	2016
	HK$'000	*HK$'000*
Current — Mainland China	**379**	11,592
Current — Hong Kong	**9,441**	4,656
Deferred	**5,446**	(8,338)
Total tax charge for the year	**15,266**	7,910

9. DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2017 (FY2016: HK3.2 cents per ordinary share).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss/earnings per share amount is based on the loss/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 844,383,000 (2016: 810,714,000) in issue during the year.

The calculation of the diluted loss/earnings per share amount is based on the loss/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 loss/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.

For the year ended 31 December 2017, as an anti-dilutive effect was resulted following the losses incurred by the Group, no adjustment has been made to the basic loss per share amounts.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic loss/earnings per share calculation:	**(485,300)**	53,728

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss/earnings per share calculation	**844,383,000**	810,714,000
Effect of dilution — weighted average number of ordinary shares:		
Share options and shares awarded	**–**	1,464,000
Adjusted weighted average number of ordinary shares in issue during the year used in the diluted loss/earnings per share calculation	**844,383,000**	812,178,000
Basic	**HK(57.5) cents**	HK6.6 cents
Diluted	**HK(57.5) cents**	HK6.6 cents

11. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**186,753**	45,380
Work in progress	**93,738**	39,064
Finished goods	**134,162**	85,344
	414,653	169,788

12. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**114,423**	285,823
Impairment	**–**	–
	114,423	285,823

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 with the internal control department minimising credit risk. 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 reporting period, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**56,809**	252,171
1 to 2 months	**25,840**	14,206
2 to 3 months	**13,689**	6,844
Over 3 months	**18,085**	12,602
	114,423	285,823

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**108,252**	248,652
Less than 1 month past due	**3,002**	16,976
1 to 3 months past due	**3,169**	20,195
	114,423	285,823

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. INTEREST-BEARING BANK BORROWINGS

At 31 December 2017, all of the bank loans of the Group were repayable within one year with effective interest rates range from 1.8% to 2.9% per annum (2016: range from 1.8% to 2.2% per annum).

The Group's bank facilities amounting to HK$275,817,000 (2016: HK$290,755,000), of which HK$89,265,000 (2016: HK$100,984,000) had been utilised as at the end of the year.

None of the Group's bank loans were secured by Group's asset as at 31 December 2017 and 31 December 2016.

All borrowings are denominated in United States dollars.

14. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**99,727**	85,476
1 to 2 months	**68,345**	43,548
2 to 3 months	**26,845**	20,444
Over 3 months	**14,926**	22,363
	209,843	171,831

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 120 days.

15. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**18,034**	14,808
In the second to fifth years, inclusive	**24,511**	26,087
After five years	**3,026**	4,040
	45,571	44,935

16. COMMITMENTS

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

	2017	2016
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Unpaid investment amount	**–**	22,359
Plant and machinery	**1,419**	2,576
	1,419	24,935

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the sales, development and manufacturing of home surveillance cameras, 360-degree 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 key digital imaging device and solutions providers for the home surveillance camera industry. Leveraging its substantial experience spanning a diverse range of digital imaging products, the Group differentiates itself from other manufacturers by offering design-driven joint design manufacturing ("**JDM**") and original design manufacturing ("**ODM**") solutions to customers.

Since its establishment, the Group's core operations have mainly focused on imaging products. The Group has successfully shifted from positioning as a traditional imaging products manufacturer to an action camera vendor, and further introduced home surveillance cameras starting in 2014. It has successfully launched 360-degree cameras in 2016 and unveiled its ION360 brand for its own 360-degree cameras worldwide in 2017.

After the acquisition of iON Worldwide INC. together with its subsidiaries ("iON Group") in November 2016, the Group has strategically separated its business into two divisions: ODM/JDM business and ION360 business. The operation results of ODM/JDM business and ION360 business are set out below:

	2017	2016
	HK$'000	*HK$'000*
ODM/JDM BUSINESS		
REVENUE	**712,338**	1,333,232
Cost of sales	**(523,470)**	(1,002,596)
Gross profit	**188,868**	330,636
Other income and gains	**15,198**	27,720
Selling and distribution expenses	**(26,408)**	(33,552)
Administrative expenses	**(88,054)**	(108,696)
Research and development expenses	**(81,083)**	(121,194)
Other expenses	**(71,197)**	(6,931)
Finance costs	**(1,409)**	(1,935)
Share of profits and losses of associates	**(3,367)**	–
(LOSS)/PROFIT BEFORE TAX	**(67,452)**	86,048
Income tax expense	**(16,276)**	(12,440)
(LOSS)/PROFIT FOR THE YEAR FROM ODM/JDM BUSINESS	**(83,728)**	73,608
ION360 BUSINESS		
REVENUE	**23,442**	6,379
Cost of sales	**(50,990)**	(11,608)
Gross loss	**(27,548)**	(5,229)
Other income and gains	**151**	821
Selling and distribution expenses	**(100,794)**	(2,221)
Administrative expenses	**(55,440)**	(5,829)
Research and development expenses	**(101,465)**	(11,868)
Other expenses	**(117,486)**	(84)
LOSS BEFORE TAX	**(402,582)**	(24,410)
Income tax credit	**1,010**	4,530
LOSS FOR THE YEAR FROM ION360 BUSINESS	**(401,572)**	(19,880)
TOTAL (LOSS)/PROFIT FOR THE YEAR	**(485,300)**	53,728

ION360 business

For FY2017, the Group recorded a turnover of approximately HK$23.4 million, primarily derived from sale of legacy inventories, in the ION360 business (FY2016: approximately HK$6.4 million). The increase was mainly attributable to the ION360 business only operated for two months in 2016 since our acquisition in November 2016.

Due to the ION360 business' disappointing operating results and the Group's strategy to manage its finances in a cautious and prudent manner, the Company intends to dispose the ION360 business as and when suitable opportunity arises.

ODM/JDM business

In 2017, the Group's turnover from the ODM/JDM business significantly declined by approximately HK$620.9 million to approximately HK$712.3 million from approximately HK$1,333.2 million for FY2016. The decline was primarily caused by the substantial reduction in the shipment volume of home surveillance cameras and digital imaging products to the Group's key customers as compared with FY2016.

The revenue from the action cameras and accessories business of the ODM/JDM business during FY2017 decreased in line with the slack of the action cameras sector.

Home surveillance cameras of the Group's ODM/JDM business have become its major revenue source following the significant decline in revenue from action cameras and accessories, and contributed approximately 50.5% of the Group's total revenue for FY2017. The revenue of home surveillance cameras also decreased substantially from approximately HK$792.2 million for FY2016 to approximately HK$371.9 million for FY2017 primarily due to the gradual phasing out of the old models from the market, while the sales of the new models had either just commenced at the end of FY2017 or scheduled to debut in the first half of 2018. Meanwhile it is expected that the sales of new models to existing and new customers will steadily pick up in the first half of 2018 or later.

The digital imaging business recorded a decrease of approximately 25.9% in sales, mainly owing to the drop in shipments of police cameras to a leading police equipment provider in the United States ("**US**").

Prospects

Based on constant evaluation of the macro economy and the available data over the past two years, China appears to be on its way of economic growth recovery. This trend, together with new measures as well as tax reform coming into effect in the US, is expected to give recovery momentum to the US economy, thereby facilitating the economic growth of other regions around the world. To seize the opportunities presented by this global momentum, the Group will strengthen its customer base on a worldwide basis and increase its presence in Mainland

China. Up to the date of this announcement, the Group has developed a much more robust market portfolio which broadly covers customers in the US, the United Kingdom, the European Union, Japan, Mainland China, etc. The Group believes that it is on the right track to capitalise on its strength and grow its business. It is expected that the diversification will bring positive impact on the results of the Company in the near future.

The demand for more advanced cloud applications, lower power consumption, higher definition, stronger interaction and better storage and connectivity have contributed to the remarkable market growth. The Group continues to expand its smart manufacturing efforts by leveraging its research and development expertise and manufacturing excellence to fulfill customers' market needs. It also targets to introduce various smart imaging products to the market, such as camera floodlights, security lights, doorbell cameras, dash cameras, and cameras with advanced features such as image analytics and voice controls.

On top of the home surveillance cameras, the Group is developing a self-owned cloud service and intends to offer an online cloud management service to pair with its home surveillance cameras to corporate customers. The Group believes the camera-plus-cloud total solution will enable it to gain more sales orders and improve customer's satisfaction.

The Group expects its home surveillance cameras will contribute a larger share of its revenue in the next few years. Capitalising on its well-defined strategy and solid business foundation, the management has confidence in the Group's future prospects and believes that the Group will improve its result and create value for its shareholders ("**Shareholders**"). The Group aims to maintain its market position and expand its product portfolio. Thus, the Group continues its efforts to increase market share and deliver high-quality products and solutions to customers by pursuing the following strategies:

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

- Strengthen customer relationships and further expand its customer base

- Increase its presence in Mainland China

- Improve operation and production efficiencies and optimise the organisational structure

Financial review

Turnover

The Group's products mainly consist of the following three categories: (i) home surveillance cameras, (ii) digital imaging (including 360-degree cameras) products, and (iii) action cameras and accessories. It generates revenue predominantly from sales of these products, as well as from sales of other electronic products or services such as tooling fees and research and development ("**R&D**") service associated with products that it manufactures for customers. It expects the contribution from home surveillance cameras will increase in the next few years. The following tables set out the breakdown of the revenue from sales of major products by product type for the periods indicated:

	2017 *HK$'000*	**% of total revenue**	2016 *HK$'000*	% of total revenue	Revenue change
ODM/JDM BUSINESS					
Home surveillance cameras	**371,853**	**50.5%**	792,215	59.1%	-53.1%
Digital imaging products	**247,293**	**33.6%**	333,647	24.9%	-25.9%
Action camera and accessories	**57,324**	**7.8%**	186,958	14.0%	-69.3%
Others	**35,868**	**4.9%**	20,412	1.5%	75.7%
SUB-TOTAL	**712,338**	**96.8%**	1,333,232	99.5%	-46.6%
ION360 BUSINESS	**23,442**	**3.2%**	6,379	0.5%	267.5%
TOTAL	**735,780**	**100.0%**	1,339,611	100.0%	-45.1%

For FY2017, the Group recorded a turnover of approximately HK$23.4 million from the ION360 business (FY2016: approximately HK$6.4 million). The increase was mainly attributable to ION360 business started its operation since November 2016.

For FY2017, the Group recorded a turnover of approximately HK$712.3 million from the ODM/JDM business (FY2016: approximately HK$1,333.2 million), representing a significant decrease of approximately 46.6% as compared to FY2016. This decrease was mainly attributable to the significant reduction in the shipment units of home surveillance cameras and digital imaging products.

The Group sells its products mainly to customers in the US and European Union and expects the US and European Union market will continue to account for majority of its revenue in the foreseeable future. The significant decrease in the sales in the US and European Union was due to the decrease in the sales from home surveillance cameras to the Group's key customers, which are located in the US and European Union. The following table sets out the breakdown of revenue by location of customers for the periods indicated:

	2017	2016
	HK$'000	*HK$'000*
United States of America	**451,914**	935,702
Mainland China	**101,743**	115,486
European Union	**156,909**	229,652
Hong Kong	**12,012**	44,136
Other countries and areas	**13,202**	14,635
	735,780	1,339,611

Cost of sales

Cost of sales represents costs and expenses directly attributable to the manufacture of the Group's products which comprise (i) raw materials, components and parts, including, among others, key components such as digital signal processors, lenses and sensors, (ii) direct labour, and (iii) production overhead, including mainly depreciation of production equipment and indirect labour.

For FY2017, cost of sales of the Group amounted to approximately HK$574.5 million (FY2016: approximately HK$1,014.2 million), representing a decrease of approximately 43.4% as compared to FY2016, and amounted to approximately 78.1% (FY2016: approximately 75.7%) of its turnover during the year. This decrease was mainly attributable to a substantial decrease in consumption of the raw materials, components and parts as a result of significant reduction in the shipment units of home surveillance cameras and digital imaging products and strict cost control applied by the Group during the year.

Gross profit and gross profit margin

ION360 business	**2017**	2016
	HK$'000	*HK$'000*
Revenue	**23,442**	6,379
Cost of sales	**(50,990)**	(11,608)
Gross profit	**(27,548)**	(5,229)
Gross profit margin	**–117.5%**	–82.0%

The Group's ION360 business recorded a negative gross profit margin due to the majority of the revenue was derived from sale of legacy inventories at discounted prices below cost.

ODM/JDM business	**2017**	2016
	HK$'000	*HK$'000*
Revenue	**712,338**	1,333,232
Cost of sales	**(523,470)**	(1,002,596)
Gross profit	**188,868**	330,636
Gross profit margin	**26.5%**	24.8%

The Group recorded a gross profit of approximately HK$188.9 million from the ODM/JDM business for FY2017 (FY2016: approximately HK$330.6 million), representing a decrease of approximately 42.9% as compared to FY2016. The gross profit margin increased slightly from approximately 24.8% for FY2016 to approximately 26.5% for FY2017. The increase was mainly due to revenue from provision of R&D support service accounted for a higher portion of the Group's total revenue.

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; and (iii) exchange gains arising mainly from fluctuation of Renminbi ("**RMB**") against US dollar ("**US$**") between the invoice and settlement dates of its sales and purchases, and from translation of its US$-denominated trade payables and receivables.

For FY2017, other income and gains of the Group decreased significantly by approximately HK$13.2 million to approximately HK$15.3 million as compared to FY2016, which was primarily attributable to a decrease of approximately HK$10.5 million in exchange gains due to appreciation of RMB against US$ during the year.

Selling and distribution expenses

Expense by business unit	**2017**	2016	Change
Attributable to ION360 business	**100,794**	2,221	4,438.2%
Attributable to ODM/JDM business	**26,408**	33,552	-21.3%
Total	**127,202**	35,773	255.6%

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

For FY2017, selling and distribution expenses of the Group's ION360 business soared to approximately HK$100.8 million from approximately HK$2.2 million for FY2016. The increase was mainly attributable to the launch and promotion of the ION360 brand in 2017.

For FY2017, selling and distribution expenses of the Group's ODM/JDM business decreased approximately 21.3% to approximately HK$26.4 million from approximately HK$33.6 million for FY2016. The decrease in was in line with the decrease in revenue from the Group's ODM/JDM business.

Administrative expenses

Expense by business unit	**2017**	2016	Change
Attributable to ION360 business	**55,440**	5,829	851.1%
Attributable to ODM/JDM business	**88,054**	108,696	-19.0%
Total	**143,494**	114,525	25.3%

Administrative expenses include mainly (i) salaries and benefits of the Group's 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 FY2017, administrative expenses of the Group's ION360 business soared to approximately HK$55.4 million from approximately HK$5.8 million for FY2016. The increase was mainly attributable to (i) ION360 business started its operation since November 2016, and (ii) the average headcounts in the ION360 business almost doubled in 2017.

For FY2017, administrative expenses of the Group's ODM/JDM business decreased by approximately 19.0% to approximately HK$88.1million (FY2016: approximately HK$108.7 million). The decrease was primarily due to the Group's strict cost control policy.

Research and development costs

Expense by business unit	**2017**	2016	Change
Attributable to ION360 business	**101,465**	11,868	754.9%
Attributable to ODM/JDM business	**81,083**	121,194	-33.1%
Total	**182,548**	133,062	37.2%

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

For FY2017, research and development costs of the ION360 business soared to approximately HK$101.5 million from approximately HK$11.9 million for FY2016. The increase was mainly attributable to (i) ION360 business started its operation since November 2016, and (ii) the design, development and certification for 360-degree cameras was kicked off and completed in FY2017.

For FY2017, the Group recorded research and development costs of approximately HK$81.1 million from the Group's ODM/JDM business, which decreased by approximately 33.1% from approximately HK$121.2 million for FY2016. This decrease was mainly attributable to development of 360-degree cameras under the Group's ION360 business occupied a significant portion of the Group's R&D resources.

Other expenses

Expense by business unit	**2017**	2016
Attributable to ION360 business	**117,486**	84
Attributable to ODM/JDM business	**71,197**	6,931
Total	**188,683**	7,015

Other expenses include principally (i) exchange losses arising mainly from fluctuations in exchange rates between the invoice and settlement dates of its sales and purchases and from translation of its US$-denominated trade payables and receivables; and (ii) impairment losses of assets.

For FY2017, other expenses of the Group's ION360 business primarily consist of (i) impairment loss for goodwill of approximately HK$93.1 million and (ii) impairment loss for trademarks and technology licencing agreement of approximately HK$21.8 million. These impairment losses were due to the unsatisfactory market response to the new virtual reality product of ION360 business, and the significant uncertainty of future development of virtual reality industry, which affects the recoverable amounts of the cash generating units of ION360 business. The expected recoverable amounts of goodwill, trademarks and technology licencing agreement were nil.

For FY2017, other expenses of the Group's ODM/JDM business increased significantly to approximately HK$71.2 million from approximately HK$6.9 million for FY2016. This increase was mainly attributable to (i) impairment losses of approximately HK$5.4 million in relation to a cooperation partner's default in repayment of deposits; (ii) approximately HK$9.7 million in relation to the impairment loss of investments in associates; and (iii) approximately HK$52.0 million in relation to the impairment losses of several available-for-sale investments. These impairment losses from investments in associates and available-for-sale investments were due to under-performance of their respective product/service and the significant uncertainty of future development of the industry, resulting in lower recoverable amounts of these investments than their carrying amounts.

Finance costs

For FY2017, all the finance costs of the Group were attributable to the ODM/JDM business, which were approximately HK$1.4 million (FY2016: approximately HK$1.9 million), representing a decrease of approximately 27.2% as compared to FY2016. This decrease was attributable to a decrease in average borrowing of US$ amounts from certain banks in Hong Kong for settlement of decreased trade payments.

Share of losses of associates

The Group invested in two start-up companies which are located in the United States and Mainland China, respectively. They are principally engaged in design and development of creative smart digital products.

As the Group has significant interests in these two companies and can exercise significant influence, other than control or joint control, over these two companies, the investments were accounted for under equity method. The Group's share of the post-acquisition results of associates is in the consolidated statement of profit or loss. For FY2017, the Group shared approximately HK$3.4 million losses from the associates.

Income tax expense

Expense by business unit	**2017**	2016	Change
Attributable to ION360 business	**(1,010)**	(4,530)	-77.7%
Attributable to ODM/JDM business	**16,276**	12,440	30.8%
Total	**15,266**	7,910	93.0%

For FY2017, the income tax credit of the Group's ION360 business was recognized for the losses available for offsetting against future taxable profits in certain subsidiaries.

For FY2017, the amount of income tax expense of the Group's ODM/JDM business was approximately HK$16.3 million (FY2016: approximately HK$12.4 million), representing an increase of approximately HK$3.8 million as compared to FY2016, as certain subsidiaries recorded more profits than the prior year.

Effective income tax rate was negative for FY2017, which was caused by the significant loss recorded by the Group.

Net loss

As a result of the foregoing, the Group recorded a loss of approximately HK$485.3 million for FY2017.

Liquidity and capital resources

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

	2017	2016
	HK$'000	*HK$'000*
Net cash flows (used in)/from operating activities	**(213,573)**	135,046
Net cash flows used in investing activities	**(51,255)**	(128,994)
Net cash flows used in financing activities	**(33,919)**	(134,591)
Net decrease in cash and cash equivalents	**(298,747)**	(128,539)
Cash and cash equivalents at beginning of year	**480,436**	629,990
Effect of foreign exchange rate changes, net	**21,440**	(21,015)
Cash and cash equivalents at end of year	**203,129**	480,436

Net cash used in operating activities for FY2017 was approximately HK$213.6 million, which primarily reflected (i) the adjusted loss before tax of approximately HK$201.3 million; (ii) the collection of trade receivables of approximately HK$181.0 million; (iii) the increase in inventory balances of approximately HK$268.0 million; (iv) the decrease in prepayments, deposits and other receivables of approximately HK$13.8 million; and (v) the increase in trade payables of approximately HK$54.0 million.

Net cash used in investing activities for FY2017 was approximately HK$51.3 million. This consisted mainly of (i) payment of approximately HK$13.1 million for purchases of property, plant and equipment and intangible assets primarily for the upgrade of certain equipment and software to support the production of high-quality products; and (ii) investment of approximately HK$42.2 million in unlisted start-up companies.

Net cash used in financing activities for FY2017 was approximately HK$33.9 million, which was caused by (i) net repayment of bank borrowings of approximately HK$11.7 million as the Group utilised less interest-bearing bank borrowings to settle trade payables due to the shrink of purchase scale; and (ii) payment of approximately HK$27.3 million to settle the 2016 final dividends.

The Group's cash and cash equivalents were denominated in US$, HK$ and RMB as at 31 December 2017.

Borrowing and the pledge of assets

The aggregate amount of the Group's banking facilities as at 31 December 2016 and 31 December 2017 was approximately HK$290.8 million and approximately HK$275.8 million, respectively. As at the respective dates, total bank loans in the amounts of approximately HK$101.0 million and approximately HK$89.3 million were outstanding, respectively, which were repayable within one year. The Group 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. As at 31 December 2017, the annual interest rate of bank borrowings ranged from 1.8% to 2.9% (31 December 2016: 1.8% to 2.2%).

Further details of the Group's bank borrowings are set out in note 13 to financial statements.

None of the Group's bank loans were secured by its assets as at 31 December 2017 and 31 December 2016.

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. The Group's gearing ratio as at 31 December 2016 and 31 December 2017 was approximately 9.9% and approximately 15.7%, respectively. The increase in gearing ratio was primarily due to the significant decrease in total equity as a result of the significant loss recorded for the year.

Capital expenditure

During FY2017, the Group invested approximately HK$13.7 million (FY2016: approximately HK$28.1 million) in fixed assets and intangible assets, of which approximately HK$11.9 million (FY2016: approximately HK$27.0 million) was used for the purchase and upgrade of equipments used for expansion of production facilities.

Off balance sheet transactions

During FY2017, the Group did not enter into any material off balance sheet transactions.

Foreign exchange exposure and exchange rate risk

The Group has transactional currency exposure, which arises from sales in currencies other than the relevant operating units, that is, functional currencies. Approximately 90.6% and 87.6% of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sales, whilst approximately 61.2% and 52.7% of inventory costs were denominated in their functional currencies for FY2016 and FY2017, respectively.

The Group used forward currency contracts to manage currency risk. However, due to the high fluctuation in exchange rate during the year, the Group did not enter into any forward currency contracts during FY2017 and had no outstanding forward currency contracts as at 31 December 2017 (31 December 2016: Nil).

Events after the reporting period

There are no significant events occurring after the reporting period of FY2017 up to the date of this announcement.

Treasury policies

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

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

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

The Group's total investment under its treasury policies was approximately HK$10.8 million as at 31 December 2017 (31 December 2016: approximately HK$10.4 million). No listing proceeds were used to invest in the wealth management products.

Employees and emoluments policy

As at 31 December 2017, the Group employed a total of 1,889 employees (31 December 2016: 2,344). The staff costs of the Group, excluding directors' emoluments and any contributions to pension scheme, were approximately HK$199.0 million for FY2017 (FY2016: approximately HK$270.3 million), approximately HK$23.7 million (FY2016: approximately HK$9.4 million) of which are expenses for the Group's share option schemes and share award scheme. All of the Group's employees are paid a fixed salary and a bonus depending on their performance as determined by quarterly assessments. The Group seeks to provide compensation for its research and development staff at above-market levels to attract and retain talent. It regularly reviews compensation and benefit policies to ensure that its practices are in line with the market and in compliance with relevant labour regulations. To provide its employees, among others, additional incentives to enhance its business performance, the 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 to: (i) recognise the contributions by certain employees and to provide them with incentives in order to retain talent; and (ii) attract suitable personnel for the Group's further development.

Significant investments held

As at 31 December 2017, the Group held unlisted equity investments of approximately HK$38.3 million (31 December 2016: approximately HK$61.2 million), including investments in associates and available-for-sale investments. These unlisted equity investments were made in start-up companies which have synergies with the Group's business.

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.

Use of proceeds	**Actual net proceeds**	**Actual utilisation up to 31 December 2017**	**Balance as at 31 December 2017**
	HK$ million	*HK$ million*	*HK$ million*
Purchase of land or completed properties or offices and purchase of production machinery	226.7	71.8	154.9
Marketing expenditures	116.5	116.5	–
Possible mergers and acquisitions	116.5	116.5	–
Research and development expenditures	92.0	92.0	–
Working capital and general corporate purposes	61.3	61.3	–
	613.0	458.1	154.9

On 23 January 2018, the Board has resolved to change the use of and propose to apply the above unutilized net proceeds for the purpose of the Company's (i) marketing expenditures relating to the development and promotion of house brands; (ii) research and development expenditures relating to development of new products and the recruitment of additional engineers; and (iii) purchases of raw materials.

Commitment

As at 31 December 2017, the Group's operating lease and capital commitment amounted to approximately HK$45.6 million (31 December 2016: approximately HK$44.9 million) and approximately HK$1.4 million (31 December 2016: approximately HK$24.9 million), respectively. The committed investment of RMB20.0 million in Kandao Lightforge Co., Ltd. was paid in January 2017, which led to the decrease in capital commitment.

Future plans for material investments or capital assets

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

Material acquisitions and disposals of subsidiaries and associated companies

Save for the investment of RMB20.0 million in Kandao Lightforge Co., Ltd. and the investment of US$1.5 million in a US Company, there is no other material acquisitions and disposals of subsidiaries and associated companies during FY2017. As all applicable percentage ratios as set out in Chapter 14 of the Listing Rules in respect of the transactions were less than 5%, they were not notifiable transactions subject to the reporting and announcement requirements.

The Company intends to dispose the ION360 business as and when suitable opportunity arises, in light of the significant loss incurred in ION360 business and the Company's strategy to operate manage its finance in a cautious and prudent manner.

Contingent liabilities

As at 31 December 2017, the Group had no significant contingent liabilities.

Annual general meeting

The annual general meeting of the Company (the "**AGM**") is scheduled to be held on Friday, 25 May 2018. A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

Dividends

The Board does not recommend the payment of any final dividend for FY2017 (FY2016: HK3.2 cents per ordinary share).

Closure of register of members

The register of members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, 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 Friday, 18 May 2018.

OTHER INFORMATION

Purchase, sale or redemption of listed securities

The Company is empowered by the applicable Companies Law, Cap 22 of the Cayman Islands and the articles of association of the Company to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2017.

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct governing its directors' securities transactions. Specific enquiries have been made with all Directors and they have confirmed that they have complied with the Model Code during FY2017.

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

Audit Committee

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

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management on the internal control, financial reporting and risk management matters, including the review of annual results and annual report for FY2017.

Corporate governance practices

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

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the basis of the Company's corporate governance practices. Throughout the year ended 31 December 2017, the Company has complied with all applicable code provisions of the CG Code except for the followings:

Non-compliance during FY2017

(i) 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.

(ii) Following the passing away of Mr. Wong Kee Fung Kenneth on 30 October 2017, the composition of the Board comprised three (3) executive directors, two (2) non-executive directors and two (2) independent non-executive directors. The number of independent non-executive directors on the Board was less than three and also represented less than one-third of the members of the Board as required under Rules 3.10 (1) and 3.10A of the Listing Rules. The Board and the Audit Committee also did not have an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and Rule 3.21 of the Listing Rules.

Moreover, (a) the Audit Committee comprised only two (2) members which did not fulfill the requirement under Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three (3) members and be chaired by an independent non-executive director; (b) the Remuneration Committee comprised one executive director and one independent non-executive director as members which did not fulfill the requirement under Rule 3.25 of the Listing Rules that the Remuneration Committee must be chaired by an independent non-executive director and comprising a majority of independent non-executive directors; and (c) the Nomination Committee comprised one executive director and one independent non-executive director which did not fulfill the code provision A.5.1 as set out in Appendix 14 to the Listing Rules that the Nomination Committee must comprise a majority of independent non-executive directors.

The above non-compliance has been solved upon the appointment of Mr. Tse Yat Hong as an independent non-executive Director of the Company, the chairman of the audit committee of the Company, the chairman of the remuneration committee of the Company and a member of the nomination committee of the Company on 5 December 2017.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sky-light.com.hk). The annual report of the Company for the year ended 31 December 2017 containing information required by the Listing Rules will be dispatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2018

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