

BUSINESS

OVERVIEW

We are a Hong Kong-based LED lighting product and service provider, specialising in providing LED lighting products and services for retail stores of world-renowned end-user luxury brands mainly in the Asia market. In 2016, in terms of revenue, we accounted for approximately 8.1% of the LED lighting solution market in Hong Kong for luxury brands, according to the Frost & Sullivan Report. In response to our customers' demands, we are able to design and customise LED lighting fixtures to be installed in the interior spaces of the retail stores of end-user luxury brands to achieve high-performance lighting effects. In addition, our deep understanding of lighting system engineering and technical expertise enable us to offer our customers and end-user luxury brands bespoke and integrated LED lighting solutions with respect to the facade spaces of the retail stores of end-user luxury brands, ranging from initial design consultation to after-delivery maintenance and enhanced services. We also provide consultation services and maintenance services for LED lighting projects and sell visual-audio systems. The following table sets forth our revenue by business lines for the periods indicated.

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	(HK\$'000)		(HK\$'000)	
			(unaudited)	
Sales of LED lighting fixtures	23,345	51,037	10,914	18,257
Integrated LED lighting solution services	12,836	10,583	4,194	–
LED lighting system consultation and maintenance services	1,970	1,388	472	258
Sales of visual-audio systems	3,975	4,435	1,025	–
Total	<u>42,126</u>	<u>67,443</u>	<u>16,605</u>	<u>18,515</u>

We have established strong relationships with our customers and many world-renowned end-user luxury brands by offering high-quality products and customer services since our inception. During the Track Record Period, we provided LED lighting products or services in over 50 cities for over 15 end-user luxury brands, including the Asian retail stores of world-renowned end-user luxury brands such as Louis Vuitton, Bvlgari, Christian Dior and Fendi. We have provided LED lighting products and services to our largest end-user luxury group as measured by revenue generated during the Track Record Period, LVMH Group, for over 12 years.

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During the Track Record Period, we established a global client base with a primary focus on Hong Kong, the PRC and other Asian countries or regions such as Singapore, Taiwan, South Korea, Japan, Macau and Indonesia. From time to time, we also served customers in other regions including Europe, the United States, Australia and New Zealand. Through our global presence, engineering expertise in LED lighting systems and strong relationships with our customers and end-user luxury brands, we believe we are well positioned to capture future growth in those markets. The following table sets forth our revenue by geographic locations of our customers' places of domicile for the periods indicated.

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	(HK\$'000)		(HK\$'000)	
			(unaudited)	
Hong Kong	16,168	33,280	7,623	1,685
The PRC	42	8,799	3	6,959
Other Asian countries/regions ⁽¹⁾	24,833	22,953	8,798	8,105
Europe	157	1,584	–	122
Others ⁽²⁾	926	827	181	1,644
Total	42,126	67,443	16,605	18,515

Notes:

- (1) Mainly includes Korea, Macau, Singapore, Taiwan and Thailand.
- (2) Mainly includes Australia, New Zealand and U.S.

We have accumulated LED lighting solution know-how, technical knowledge and engineering expertise through our 12-year history as a LED lighting product and service provider. Our research and development team has focused on technical innovations to be applied in our projects and our engineering team has continuously focused on technical improvements to meet our customers' request. For example, our research and development capabilities and engineering expertise have enabled us to customise and integrate a central control system to be installed on a portable device through which our end-user luxury brands are able to manage and adjust the effect of the LED lighting system remotely. In addition, benefiting from our engineering expertise in the low voltage engineering industry, we have successfully introduced certain engineering devices into LED lighting systems, such as LED drivers, through which the energy consumption of the LED lighting system can be reduced by approximately 15.3% to 49.2%, depending on different light intensity of the LED chips, as compared with other traditional LED lighting systems. As at the Latest Practicable Date, we had five patents registered in the PRC with respect to our customised LED lighting fixtures.

For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, our revenue was HK\$42.1 million, HK\$67.4 million and HK\$18.5 million, respectively, representing an increase of approximately 60.1% for the years ended 31 March 2016 to 2017 and an increase of 11.4% for the four months ended 31 July 2016 to 2017 and our gross profit was HK\$23.2 million, HK\$38.9 million and HK\$9.4 million, respectively, representing an increase of approximately 67.7% for the years ended 31 March 2016 to 2017 and a decrease of 11.3% for the four months ended 31 July 2016 to 2017.

OUR COMPETITIVE STRENGTHS

We believe that our success and our ability to capitalise on future growth opportunities are attributable to our following strengths:

Bespoke and professional LED lighting solutions for end-user luxury brands

We believe our reputation for our bespoke and professional LED lighting solutions represents a key competitive strength against other LED lighting product and service providers. We are able to provide bespoke LED lighting fixtures for the interior spaces of the retail stores of end-user luxury brands and services from LED lighting system consultation to after-delivery maintenance services for the facade spaces of the retail stores of end-user luxury brands. Therefore, our customers and end-user luxury brands can choose to engage us for any or all of our products and services based on their needs. According to the Frost & Sullivan Report, there are only a limited number of LED service providers in Hong Kong that can provide the same level and quality of products and integrated services to their customers. With our customer-oriented business approach, we are able to provide seamless coordination among our engineering team and project management team, which enables us to improve efficiency when installing the LED lighting system. In addition, we have provided LED lighting products and services to a number of world-renowned end-user luxury brands including Louis Vuitton, Bvlgari, Christian Dior and Fendi, which requires extensive innovation, knowhow and expertise to meet their requests relating to dynamic lighting plan, innovative function and user-friendly interface, with a view to distinguishing themselves from mass retail brands. We believe our capability to deliver bespoke and professional LED lighting solutions for end-user luxury brands distinguish us from other LED service providers in Asia and will contribute to our continued success.

Long-term and well-established working relationships with world-renowned end-user luxury fashion brands

We have established long-term relationships with a number of world-renowned end-user luxury brands. For example, we have provided LED lighting products and services to our largest end-user fashion group as measured by revenue generated during the Track Record Period, LVMH, since 2004 and have provided LED lighting products and services to their retail stores globally. In addition, throughout our long-term cooperation with some of the world-renowned end-user luxury brands, we were able to work hand-in-hand with their headquarters directly, which enables us to develop a long-term trust and relationship with our end-user luxury brands and gain a better understanding of their expectations and requirements. Generally, for projects directly contracted by the end-user luxury brands, we collaborate with their project team, including an architect or a designer, to work on the visual appearance and lighting effects of the flagship stores, commencing from project planning to the completion of renovation of the flagship store. Throughout this collaboration process, we worked closely with our end-user luxury brands and had regular communications with their designer to discuss, among others, the design, technical requirements and budget estimations. For further details on the cooperation between the end-user luxury brands and our Company, please see the section headed “Business — Our Services and Products — Integrated LED Lighting Solution Services — Operating Procedures”.

In addition, through members of our management team and sales team who meet with end-user luxury brands and visit their headquarters, we are able to collect their feedback and understand their changing requirements and preferences. As such, we have become one of the nominated LED lighting service providers for certain world-renowned end-user luxury brands, such as LVMH for their global retail stores. When these world-renowned luxury brands decided to expand into a new city or location, or renovate their existing retail stores, they continued to engage us. We believe they will continue to engage

us in the future and our long-term relationships with those end-user luxury brands give us an invaluable competitive strength to compete with other LED lighting product and service providers.

Strong cooperative relationships with our suppliers and subcontractors

We have cooperated with our major suppliers, Supplier A, a Hong Kong subsidiary of an electronic components distributor founded in 1968 and headquartered in Montreal for over 12 years, and Supplier B, a jointly owned Hong Kong subsidiary of Japan-based and Taiwan-based providers of inorganic luminescent materials, for over 11 years. Leveraging our strong cooperative relationships with such suppliers, we are able to purchase high-quality LED chips that are highly consistent in colour presence, which is critical to our large-scale facade projects. In addition to our suppliers, we have cooperated with our subcontractors for an average of over three years. Being familiar with our high standards and tight deadlines, our subcontractors are generally able to not only deliver their works on time and in accordance with our technical and engineering requirements, but also provide our customers and end-user luxury brands with timely after-delivery solutions, in particular for customers and end-user luxury brands located outside Hong Kong. We expect to continue to benefit from such strong cooperative relationships with our suppliers and subcontractors in our future business.

Established reputation and proven track record

We started our LED lighting business in 2004 and, since then, we have accumulated over 12 years' experience in the LED lighting industry in Hong Kong and other countries and regions globally. We have an established reputation in the LED lighting industry in Hong Kong and other countries and regions in Asia with a proven record. Leveraging our LED lighting solution know-how, technical knowledge and engineering expertise through our over 12 years' history as an LED lighting solution provider, we are able to provide our customers with innovative LED lighting solutions. We believe that our professional and quality services have been well recognised in the LED lighting industry and by a number of world-renowned end-user luxury brands including Louis Vuitton, Bvlgari, Christian Dior and Fendi. We believe our established reputation and proven track record of undertaking advanced and high-profile LED lighting projects enable us to successfully compete with other LED lighting product and service providers to take part in complicated LED lighting projects, where pre-qualification on job reference and technical resources is usually required.

Innovative and customised LED solution provider

We have been an LED lighting solution provider for over 12 years and have accumulated LED lighting solution know-how, technical knowledge and engineering expertise. Our research and development team members have an average of over 12 years of experience in design and engineering in the LED industry and other related industries and our engineering team members have an average of over 10 years of experience in the low voltage engineering industry, which is vital for LED lighting system design and engineering. Our research and development team has focused on technical innovations to be applied in our projects and our engineering team has continuously focused on technical improvements to meet our customers' request. For example, our research and development capabilities and engineering expertise have enabled us to customise and integrate a central control system to be installed on a portable device through which our end-user luxury brands are able to manage and adjust the effect of the LED lighting system remotely. In addition, benefiting from our engineering expertise in the low voltage engineering industry, we have successfully introduced certain engineering devices into LED lighting systems, such as LED drivers, through which the energy consumption of the LED lighting system can be reduced by approximately 15.3% to 49.2%, depending on different light intensity of the LED chips, as compared with other traditional LED lighting systems. We believe, as an innovative and customised LED

lighting solution provider, we will be able to enhance our position as a major LED lighting product and service provider for world-renowned end-user luxury fashion brands.

Experienced and dedicated management team

Our executive Directors and senior management team and key technical personnel have extensive industry knowledge, project management experience and industry expertise in the LED lighting industry as well as other general business operations. Our co-founders, Mr. Tam and Mr. Yeung, have over 12 years of experience in the LED lighting solutions industry and over 18 years of experience in the visual-audio business. In addition, 10 employees have worked for us for over 10 years. Led by our experienced and dedicated management team, we have achieved significant growth since our inception in 2005. We believe that the combination of our management and technical teams' collective expertise and knowledge of the industry, together with our highly qualified employees, have been, and in the future will continue to be, our valuable assets.

OUR BUSINESS STRATEGIES

We aim to strengthen our market position in the LED lighting industry in Asia, especially in the PRC and Southeast Asia. As an initial step, we will focus on penetrating the LED lighting industry in the PRC, which is an expanding market with a lack of professional experts. Once we have solidified our presence in the PRC market, we will strengthen our geographical coverage in other parts of Southeast Asia. We will strengthen our market position by pursuing the following strategies:

Enhance our relationships with our existing customers and end-user luxury brands

We have established long-term relationships with a number of customers and end-user luxury brands, which we believe gives us an invaluable competitive strength to compete with other LED lighting service providers. Asia has been the growth engine of global retail sales over the years, and is expected to continue. According to the Frost & Sullivan Report, the global market size of LED lighting solutions for luxury retail stores is expected to increase from US\$1.4 billion in 2017 to US\$2.0 billion in 2021, representing a CAGR of 9.3%, while the market size of LED lighting solutions for luxury retail stores in the APAC is expected to increase from US\$559.5 million in 2017 to US\$1,065.4 million in 2021, representing a CAGR of 17.5%, exceeding the global rate of growth. We expect to be well positioned to compete with other industry peers leveraging our long-term relationships with our customers and such renowned luxury brands as well as our established reputation and proven track record in the Asia-Pacific market. We aim to further enhance our relationships with our existing customers and end-user luxury brands. In addition, we plan to establish or enhance relationships with other end-user luxury brands in the Asia-Pacific market as well. To this end, we plan to devote more efforts in the research and development of efficient LED systems that consume less energy, to capture the environmental protection demand from end-user luxury brands. In addition, we intend to expand our sales team to enhance our customer relationships and proactively approach other end-user luxury brands and their architect for potential business opportunities. Our expanded sales team will comprise of additional sales coordinators to ensure that we have sufficient manpower to handle new customers. We will also explore business opportunities through referrals from our existing customers and lighting designers, which will be a stepping stone for our entry into the fast-fashion retail market. Our estimated budget for this strategy mainly consists of the salary of the sales team and research and development team, we expect these expenditures will be funded by the net proceeds from the Share Offer and our internal resources. For details of our plans to recruit high calibre talent in sales and marketing and research and development, see the section headed "Future Plans and Use of Proceeds — Use of Proceeds".

Solidify our market position in Asia by exploring opportunities for fast-fashion retail chains

During the Track Record Period, we established a global client base with a primary focus on Hong Kong, the PRC and other Asian countries or regions such as Singapore, Taiwan, South Korea, Japan, Macau and Indonesia and, to a lesser extent, in other regions including Europe, the United States, Australia and New Zealand. Given our proven track record, local knowledge and good reputation, we plan to increase our market share in the LED lighting industry in Asia by exploring opportunities for fast-fashion retail chains. According to the Frost & Sullivan Report, the global market size of LED lighting solutions for the non-luxury retail market, including fast-fashion retail chains, is expected to increase from US\$23.2 billion in 2017 to US\$29.5 billion in 2021, representing a CAGR of 6.2%, among which the market size of LED lighting solutions for the non-luxury retail market, including fast-fashion retail chains in the APAC is expected to increase from US\$3,958.4 million in 2017 to US\$6,207.9 million in 2021, representing a CAGR of 11.9%. To achieve this goal, we plan to devote more marketing and advertising efforts, including expanding our sales team to proactively approach fast-fashion retail chains, and the architects that service these chains, for potential opportunities. In addition, we intend to develop cost-efficient LED fixtures targeting fast-fashion retail chains. Leveraging our experience in the supply of customised LED lighting fixtures and our plan to set up our own factory, we believe we will be able to manufacture and supply newly customised LED lighting fixtures for both our existing and potential fast-fashion retail chains customers. Moreover, we will increase our participation in exhibitions and trade shows worldwide to promote our products. During the Track Record Period, we cooperated with two fast-fashion retail chains that were mainly located in Southeast Asia and generated revenue of approximately HK\$0.2 million during the Track Record Period. We believe we will be able to capitalise on the market opportunities, leveraging our proven track record, local knowledge and experience and expertise in LED lighting solutions. In connection thereto, we intend to utilise approximately HK\$14.5 million in setting up our own factory and approximately HK\$5.9 million in recruiting high calibre talent in lighting design, sales and marketing and research and development to support our future growth and exploring business opportunities with fast-fashion retail chains. For further details of our plan to recruit high calibre talent, see the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this Prospectus.

Strengthen our research and development capabilities and engineering expertise

We believe that our research and development capabilities and engineering expertise are vital to maintaining our long-term competitiveness and driving our business growth. According to the Frost & Sullivan Report, world-renowned end-user luxury brands wish to achieve better visual effects from LED lighting systems while consuming less energy, and therefore have relatively higher requirements on the relevant engineering and technical standards, as compared with other mass retail chains. Therefore, LED lighting solution providers with research and development capabilities and engineering expertise are well positioned to provide value for such companies. Our research and development capabilities and engineering expertise have in the past helped us to apply innovative design and technique into our LED lighting fixtures to achieve better visual effect, longer life spans while consuming less energy. We are committed to attaining a leadership position in technology for the LED lighting industry in Asia. We plan to dedicate more resources to further our research and development efforts by upgrading the engineering and testing equipment in our workshop and factory. We will purchase high-end 3D printing devices and CNC machine for use in the factory. We also intend to purchase engineering and testing equipment on a smaller scale in our workshop, such as a 3D printer to produce our product samples and a spectrometer for product quality testing, to carry out research and development projects with a focus on developing mock product samples for our customers. We also intend to offer more technical training to our engineering staff to provide them with up-to-date know-how on technical developments and innovation. We intend to employ two additional research and development managers to increase our research and

development capability for further development. We intend to utilise approximately HK\$1.8 million of the net proceeds from the Share Offer on employing the additional research and development managers, and the internal resources of our Group to finance the new research and development projects. We will also utilise approximately HK\$4.7 million and HK\$1.3 million of the net proceeds of the Share Offer on upgrading the machinery and equipment used in the factory and the workshop, respectively. For further details of our plan to enhance our research and development capabilities, see the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this Prospectus.

Continue to maintain high standards of project management and cost control

We will continue to improve our overall project quality with the aim of benchmarking our services against the changing requirements from our customers and end-user luxury brands, and implement strict quality control measures to monitor our quality throughout any LED lighting fixture customisation and LED lighting solution project. We intend to apply more advanced computer software to monitor our cost control and inventory level. We also plan to devote more efforts in supplier selection to achieve better control on the product quality while better controlling costs. In addition, we plan to organise more training on project management and technology for our employees. We believe that our ability to maintain high standards of service would improve customer comfort and satisfaction and in turn further enhance our capability to compete with other industry peers in the future. To further enhance our project management capabilities and control our costs, we will set up our own factory to better monitor the quality and cost of the production of LED lighting fixtures. We intend to utilise approximately HK\$14.5 million of the net proceeds from the Share Offer to set up our own factory. We will also maintain and further enhance our standards of project planning and project management by enhancing our ERP system and information technology infrastructure by utilising approximately HK\$5.1 million of the net proceeds from the Share Offer. For details of our use of proceeds to setting up our own factory and enhancing our ERP system, see the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this Prospectus.

Pursue suitable acquisition opportunities

To enhance our position as a major LED lighting solution provider, we intend to expand our business through both organic growth and strategic acquisitions. We plan to selectively acquire other industry players, in particular, LED lighting service and/or LED product providers to expand our service or product offerings to meet our customers’ increasing demands. We will only consider acquiring companies that have the potential to be integrated into our existing business. Before making a decision on acquisition, we will conduct due diligence and consider our options carefully. As at the Latest Practicable Date, we had not identified any specific acquisition target or commenced any negotiation for any acquisition. For further details of our acquisition plan, see the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this Prospectus.

BUSINESS

OUR SERVICES AND PRODUCTS

Our business primarily consists of sales of LED lighting fixtures, integrated LED lighting solution services as well as LED lighting system consultation and maintenance services and, to a lesser extent, sales of visual-audio systems. The following table sets forth our revenue by business lines for the periods indicated.

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	(HK\$'000)		(HK\$'000)	
			(unaudited)	
Sales of LED lighting fixtures	23,345	51,037	10,914	18,257
Integrated LED lighting solution services	12,836	10,583	4,194	-
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Total	<u>42,126</u>	<u>67,443</u>	<u>16,605</u>	<u>18,515</u>

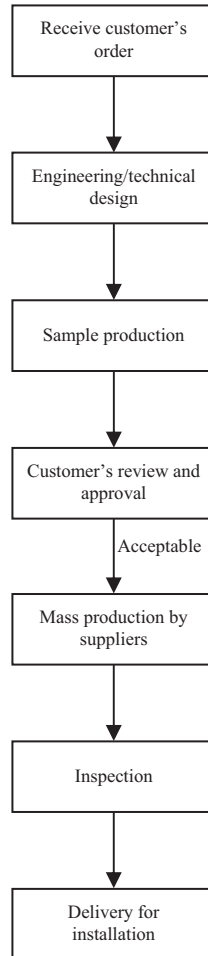
Sales of LED Lighting Fixtures

We have accumulated LED lighting solution know-how, technical knowledge and developed engineering expertise through over eight years of history as a LED lighting product provider. Therefore, we are able to design and customise LED lighting fixtures to be installed in the interior spaces of the retail stores of luxury retail brands in response to our customers' demands, to achieve high-performance lighting effects. All of our sales of LED lighting fixtures are related to the projects that we service.

We currently generally sell LED lighting fixtures with respect to the interior spaces of the retail stores. Our sales of LED lighting fixtures business primarily includes design and provision of LED lighting fixtures and after-delivery maintenance and enhancement services, in accordance with the specific demands for each individual project. During the Track Record Period, we outsourced the production of all LED lighting fixtures. Unlike our integrated LED lighting solution services, the LED lighting fixtures with respect to the interior spaces of the retail stores are installed by the main contractors.

Operating Procedures

For illustrative purposes, the following chart sets forth our operating procedures for sales of LED lighting fixtures.





Generally, end-user luxury brands maintain their respective list of approved suppliers and contractors. We were first added to the list of approved suppliers of an end-user luxury brand through referral in 2004. During the Track Record Period, we have been listed on the lists of approved suppliers of various end-user luxury brands. We believe that our inclusion in the lists of approved suppliers has been beneficial to our Group and development of our business network as a whole which has resulted in an increase in the number of projects and customers and has allowed us to solidify our presence in the LED lighting industry to serve the needs of the luxury market industry. With our name on the lists of approved suppliers of various end-user luxury brands, we believe main contractors with access to such lists and who were unfamiliar with us have become aware of our Group and our brand name, and sought quotations from us to work on LED lighting projects. Hence, on some occasions, we have also been given the opportunity to collaborate with other end-user luxury brands through introduction by and selection at the full discretion by their main contractors. In addition, we believe that being on the list of approved suppliers will provide confidence and quality assurance to our potential customers. In order to remain on the lists of approved suppliers, we are required to meet certain criteria specified by the end-user luxury brands which generally relates to pricing, technical expertise, quality assurance, customer service, social responsibility and environmental protection (the “**Selection Criteria for Approved Suppliers**”). The end-user luxury brands regularly review and assess their approved suppliers against such criteria to consider their suitability to remain on the lists.




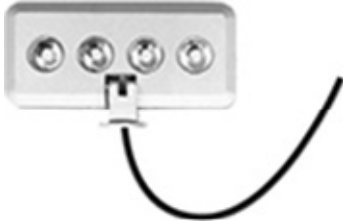
Upon receipt of orders from potential customers, we employ our own engineers to design the LED lighting fixtures according to the potential customer's request, which is subject to the potential customers' review and approval. In certain cases, if the design of the LED lighting fixture is new to the market or involves complicated technical specifications, our customers or the end-user luxury brands may request us to provide samples for review, assessment and modification. Upon their approval of the proposed design, we select appropriate LED components, and purchase certain accessories as well as assembled LED lighting fixtures from suppliers who manufacture and assemble such LED lighting fixtures in accordance with our design. To ensure our suppliers manufacture and assemble the LED lighting fixtures in accordance with our design and specifications, our engineering staff will monitor the manufacturing process at our suppliers' factories, if necessary, depending on the complexity of the assigned works. We coordinate with our customers, end-user luxury brands, and suppliers during the LED lighting customisation period. The finished LED lighting fixtures will be delivered to the construction site for the main contractor to install. During the Track Record Period, the duration of our manufacturing of LED lighting fixtures varied from six to 10 weeks. We generally provide a one-year warranty for the LED lighting fixtures we sell. See "— Quality Control and Warranty — Warranty".

Our Product Portfolio

Leveraging our technical knowledge and engineering expertise, we are able to design and customise LED lighting fixtures in response to our customers' demands. We provide LED lighting fixtures in connection with projects that we service, and generally do not sell LED lighting fixtures on a standalone basis. During the Track Record Period, prices of our LED lighting fixtures ranged approximately from HK\$50 to HK\$37,000. The table below sets forth certain examples of LED lighting fixtures we designed, manufactured and sold to some world-renowned end-user luxury brands for the interior spaces of their retail stores.

Product name	Photographs of LED lighting fixtures	Specific features
Prism V2		The individual rotating eyeball spot unit of the LED lighting fixtures can rotate smoothly to a maximum of 45 degrees to provide spotlight with a flexible tilting angle.
Ceiling Spot CS 01		The LED lighting fixture is our first dynamic dual colour ceiling spot unit, which is able to pan, tilt or rotate at a large angle. In addition, by applying the magnet component, our customers are able to replace the LED lighting fixtures easily for maintenance.

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Product name	Photographs of LED lighting fixtures	Specific features
Neo Cube		The LED lighting fixture is a high-power LED lighting fixture which is able to pan or tilt to a maximum of 90 degrees. The small casting and tension and thermal design can be utilised to provide spotlight in a confined space such as a showcase.
Blue Board BL 7		The LED lighting fixture is a slim and compact design with a high CRI output. In addition, it is capable of emitting white light ranging from cool white to warm white in a small and compact environment.
Prism V4		The LED lighting fixture is comprised of a group of individual spot units with an adjustable spot angle and is capable of emitting white light ranging from cool white to warm white.
Neo Cube L		The LED lighting fixture is a high-power LED lighting fixture which is able to pan or tilt to a maximum of 63 degrees. The small casting and tension and thermal design can be utilised to provide spotlight in a confined space such as a showcase lighting.

As at the Latest Practicable Date, we had five patents registered in the PRC with respect to our customised LED lighting fixtures.

Integrated LED Lighting Solution Services

We currently only provide integrated LED lighting solution services with respect to the facade spaces of the retail stores of end-user luxury brands. A facade refers to the shop-front of a store. The majority of our customers are main contractors engaged by world-renowned luxury brands, with which we have cooperated for a long time. The scope of our work differs depending on the customers' demands and does not involve any installation or construction works performed by our Group. Our integrated LED lighting solution services primarily include LED lighting system design, designing and provision of LED lighting fixtures, on-site project management and after-delivery maintenance and enhancement services, according to the specific demands for each individual project. Based on our industry experience and expertise, we also provide recommendation on the design and suitable components to our customers and end-user luxury brands with consideration of factors such as certification of products, including CE

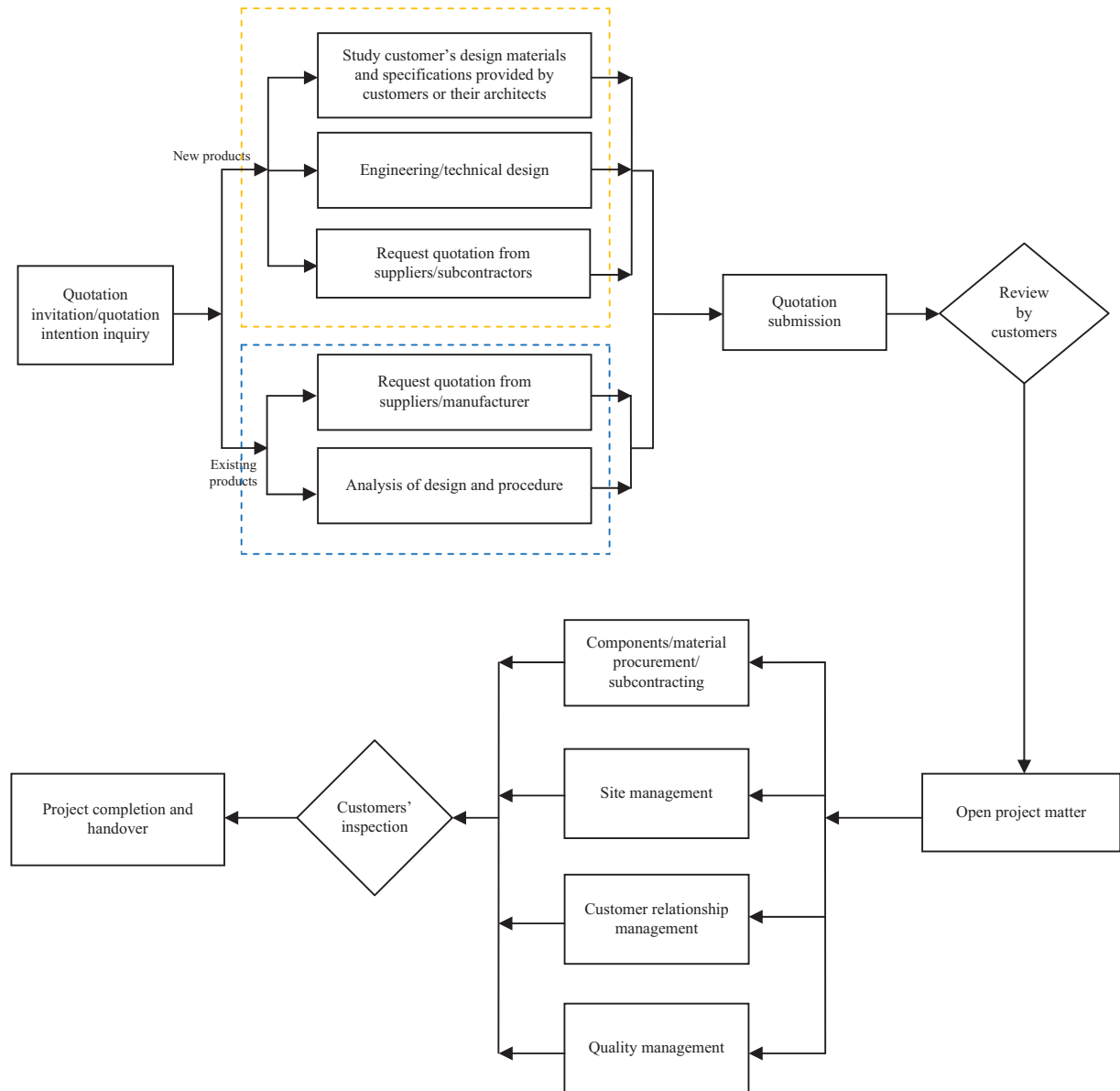
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certification, CCC certification and KC certification for products sold to Europe, the PRC and South Korea, respectively.

As an integrated LED lighting solution services provider, we are responsible for the overall LED lighting solution project. We employ our own designers and engineers to work on the more technically sophisticated portions of the project, such as system design, selection of LED components and project management, and, depending on our customers' request, delegate other labour-intensive works such as LED lighting fixture installation to subcontractors by entering into separate contracts with them. With respect to our projects located in Hong Kong, the installation works are generally completed by our subcontractors. All installation works of our projects located outside Hong Kong are completed by our local subcontractors. We coordinate with our customers, end-user luxury brands or their architects, the main contractors, subcontractors and suppliers when we carry out integrated LED lighting solution projects. As at the Latest Practicable Date, we had 10 engineers.

Operating Procedures

We have developed a comprehensive project management system in respect of our integrated LED lighting solution services including quotation preparation, project administration and project completion and handover. For illustrative purposes, the following chart sets forth our operating procedures for our integrated LED lighting solution services.



- Quotation invitation.** Generally, end-user luxury brands maintain their list of approved suppliers and contractors from which the main contractor will select supplier or contractor candidates and send out invitations or inquiries for quotation. In some projects, end-user luxury brands will specify their approved suppliers or subcontractors to the main contractor or main contractors are free to select the supplier or subcontractor at their full discretion. For details of the Selection Criteria for Approved Suppliers, please refer to the paragraph headed “— Our Services and Products — Sales of LED Lighting Fixtures — Operating Procedures” in this Prospectus.

- **Preparation of quotation.** Upon receipt of the quotation invitation or quotation intention inquiry from potential customers, we will study the project background and conduct a feasibility review to ascertain whether the potential project is manageable and profitable. The project team of the end-user luxury brand usually provides the design animation and drawing in the invitation documents, according to which we will conduct a feasibility study on the construction of the design, including the LED lighting system. We may initiate discussions between us and the project team from the headquarters of the end-user luxury brand as to the design, specifications and engineering and/or technical requirements. Thereafter, our engineering department prepares corresponding detailed engineering designs in order to transform the ideas in the blueprints into real and practicable solutions. We will inform the project team from the headquarters of the end-user luxury brand of the result of our feasibility study, which will set out our assessment on the feasibility of the design, the hardware requirements and technical requirements relating to lighting and power, conduit and trunking and control room design, and our recommendations. If the project design involves any new LED lighting fixtures, our engineering team will also analyse whether we are able to design, manufacture and deliver such products. We make decisions based on a number of factors including the scope and complexity of the work, project specification, whether the requested timetable is achievable, and the availability of our resources and expertise. Upon finalising the project design, we will work with the project team from the headquarters of the end-user luxury brand on the budget estimation for the project by negotiating the budget of various parts of the project based on actual costs of recent projects of a comparable size and nature. Thereafter, we will be invited for quotations from potential main contractors and provide the design drawings, technical requirements and budget estimation for their preparation of the quotation submission. Our quotations are normally valid for 15 days from the date of the quotation. Once we are selected, we will take up the role as the supplier of the end-user luxury brands and its main contractors. As described in the quotation invitation stage above, either (i) the main contractors will be invited by the end-user luxury brand to select the supplier from the end-user luxury brands' list of approved suppliers; or (ii) the end-user luxury brand will specify their approved supplier to be engaged and inform the main contractors; or (iii) the main contractors will have the full discretion to select the supplier to engage. For details of our revenue breakdown in respect of the three situations mentioned above, please refer to the section headed "Financial Information — Description of Key Items for the Consolidated Statement of Profit or Loss and Other Comprehensive Income — Revenue — Revenue by End-user Brand Customers and their Main Contractors" in this Prospectus.
- **Project management.** Once a project is confirmed by our customer, we will open a project matter. The project administration includes procurement of components, delegation of works to subcontractors and overall management of such project. We will assign a project team led by a project manager for on-site supervision and the overall coordination of the operation of the project.
- **Customers' review and inspection.** Upon completion, our end-user luxury brand will inspect the quality of our project. We will rectify any defect identified.

Occasionally the end-user luxury brands will instruct their approved main contractor to place orders with our Company, being an approved supplier of the end-user luxury brand. Under such circumstances, the selection of the LED lighting product or service provider is determined by the end-user luxury brands and we will be informed of the potential project of the end-user luxury brand by the main contractor. We will approach the end-user luxury brand and/or the main contractor to obtain information as to the project

design, specifications and engineering and/or technical requirements as in other projects. We will then study the project background and conduct a feasibility study. Upon finalising the project design, we will liaise with the main contractor as to the price, which is generally based on a number of factors, including scope and complexity of work, project specification, project timetable and expertise required. Once a project is confirmed by the main contractor, we will open a project matter. Our project management procedures follow the operating procedures relating to project management as set out above. Upon completion, the main contractor will inspect the quality of our project.

The duration of our integrated LED lighting solution projects can be affected by a number of factors including the scale of the project, technical complexity, availability of specified components and expectation of customers. The expected project duration and completion time of such project is usually provided for in the contract with our customers. During the Track Record Period, the duration of our projects from commencement to completion of integrated LED lighting solution projects was generally less than six months. In light of any circumstances that may unexpectedly lengthen our construction period, we will discuss with our customer with an aim to restating the required time for completion of the project. During the Track Record Period, we did not receive any claim from our customers with respect to late delivery.

Our Project Portfolio

We have undertaken a number of high-profile integrated LED lighting solution projects for world-renowned end-user luxury brands such as the Louis Vuitton retail store located at the Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong the facade of which has approximately 25,000 LED chips and the Fendi retail store located at 7-25 Canton Road Shop G113, G/F, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong the facade of which has over 5,000 LED chips. During the Track Record Period and up to the Latest Practicable Date, we completed 29 integrated LED lighting solution projects in eight cities.

LED Lighting System Consultation and Maintenance Services

We also provide LED lighting system consultation and maintenance services to our customers. We provide independent LED lighting system consultation services to our customers instead of providing integrated LED lighting solution services upon their request. Depending on our customers' demands, we are able to provide services including concept design, project presentation, technical consultation, onsite inspection mock up, coordination meeting and handover of system. Depending on our customers' request, the duration of LED lighting system consultation services ranges from two to three months.

In addition, we also provide LED lighting system maintenance services for LED lighting systems we built after the warranty period expires. Our LED lighting system maintenance agreements generally have a term of one year where we provide telephone consultation, on-site inspection and solution when issues related to LED lighting systems arise.

Sales of Visual-audio Systems

In addition to our work in relation to LED lighting systems, we also sell visual-audio systems, which include audio/video conference systems, projection systems, public address systems, sound masking systems and central controlling systems.

We historically generated a significant portion of our revenue from sales of visual-audio systems. Since 2005, we began to focus our business on sales of LED lighting fixtures and integrated LED lighting solution services. Accordingly, our revenue generated from sales of visual-audio systems has gradually

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decreased in the past years. Although we intend to continue to sell visual-audio systems in the future upon our customers' orders, we do not expect sales of visual-audio systems to continue to be a material part of our business.

CONTRACT BACKLOG

As at the Latest Practicable Date, we had a total of 39 projects on hand. The majority of these projects are located in Hong Kong and the PRC with a total contract sum of approximately HK\$4.4 million.

The table below sets out our recognised revenue and total value of new contracts during the Track Record Period and up to the Latest Practicable Date, and the opening and closing value of our backlog during the relevant period. The increase in total value of new contracts and total revenue recognised was a direct result of the increase in the number of orders received for LED lighting fixtures.

	Year ended 31 March		Four months ended 31 July 2017	From 1 August 2017 to the Latest Practicable Date
	2016	2017		
Opening value of backlog (HK\$'000)	177	2,772	5,136	7,959
Total value of new contracts (HK\$'000) ⁽¹⁾	44,721	69,807	21,338	24,797
Total revenue recognised (HK\$'000) ⁽²⁾	(42,126)	(67,443)	(18,515)	(28,379)
Closing value of backlog (HK\$'000) ⁽³⁾	2,772	5,136	7,959	4,377
Sales of LED lighting fixtures				
Value of backlog (HK\$'000)	1,068	4,960	7,746	4,164
Project commencement period ...	March 2016	October 2016	October 2016	October 2016
Project completion period	June 2016	June 2017	October 2017	March 2018
Integrated LED lighting solution services				
Value of backlog (HK\$'000)	1,348	—	—	—
Project commencement period ...	December 2015	—	—	—
Project completion period	June 2016	—	—	—
LED lighting system consultation and maintenance services				
Value of backlog (HK\$'000)	356	176	213	213
Project commencement period ...	May 2015	May 2016	May 2017	May 2017
Project completion period	November 2016	November 2018	November 2018	November 2018
Sales of visual-audio systems				
Value of backlog (HK\$'000)	—	—	—	—
Project commencement period ...	—	—	—	—
Project completion period	—	—	—	—

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Notes:

- (1) Total value of new contracts refers to the aggregate value of our new contracts which were awarded to us during the relevant year or period indicated.
- (2) Total recognised revenue refers to the portion of the total estimated revenue that has been recognised in the relevant year or period indicated.
- (3) Closing value of backlog refers to the portion of the total estimated revenue that has not been recognised with respect to projects that have not been fully completed as at the end of the relevant year or period indicated.

OUR GLOBAL PRESENCE

Through the global retail store platforms of our end customers, we were able to establish our business presence across the world, with a primary focus on Hong Kong, the PRC and other Asian countries or regions such as Singapore, Taiwan, South Korea, Japan, Macau and Indonesia. From time to time, we also serve customers for their retail stores located in other regions including Europe, the United States, Australia and New Zealand. During the Track Record Period, we completed projects in over 50 cities. The following table sets forth our revenue by geographic locations for the periods indicated.

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total
					(unaudited)			
Hong Kong	16,168	38.4	33,280	49.3	7,623	45.9	1,685	9.1
PRC	42	0.1	8,799	13.0	3	0.0	6,959	37.5
Other Asian countries/regions	24,833	58.9	22,953	34.0	8,798	53.0	8,105	43.8
Europe	157	0.4	1,584	2.4	–	–	122	0.7
Others	926	2.2	827	1.3	181	1.1	1,644	8.9
Total	42,126	100.0	67,443	100.0	16,605	100.0	18,515	100.0

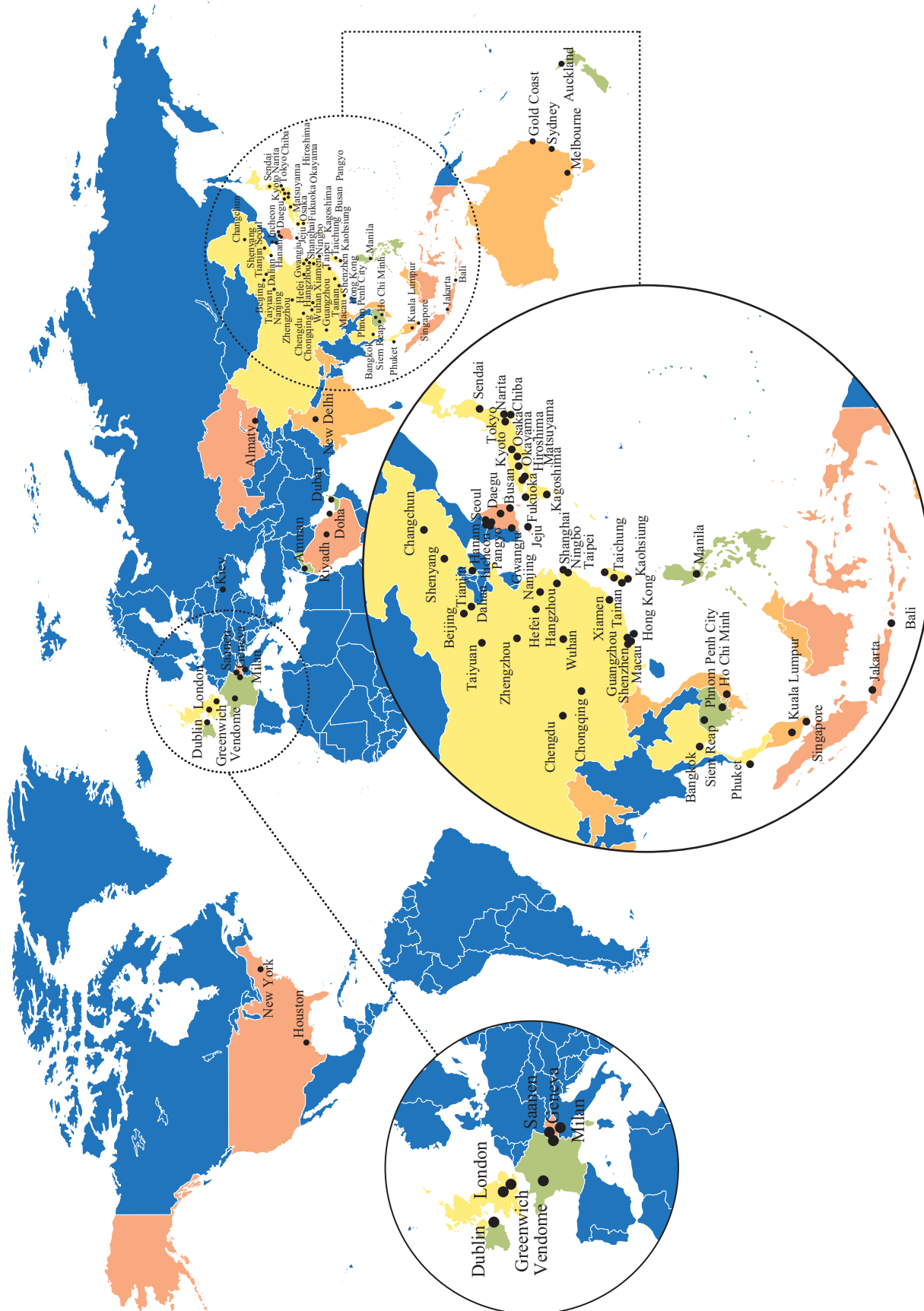
The following table sets forth the number of LED lighting projects we completed by geographic locations of our projects during the Track Record Period, including sales of LED lighting fixtures, integrated LED lighting solution services and LED lighting system consultation and maintenance services.

	Year ended 31 March		Four months ended 31 July 2017
	2016	2017	
Hong Kong	268	220	70
The PRC	19	58	58
Other Asian countries or regions	163	249	87
Europe	10	3	2
Others	17	29	16
Total	477	559	233

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The following table sets forth the movement of LED lighting projects during the Track Record Period.

	Year ended 31 March		Four months ended	From
	2016	2017	31 July 2017	1 August 2017
				to the Latest
				Practicable Date
Opening number of projects	5	29	46	66
Number of new contracts	501	576	253	336
Less: Completed contracts	(477)	(559)	(233)	(363)
Closing number of projects	29	46	66	39



SALES AND MARKETING

Our Directors believe that our reputation in the industry, our past project referrals, our technical expertise and our strong relationships with end-user luxury brands underpin our ability to explore future opportunities. As at the Latest Practicable Date, our sales team consisted of five employees (including two staff from our management team) and is led by our CEO, Mr. Tam. Mr. Tam is generally responsible for maintaining customers' relationships and keeping abreast of market developments and potential business opportunities, while our sales team is primarily responsible for daily customer relationship maintenance. For further details of our existing and future sales team, see the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this Prospectus. Members of our management team and sales team also meet with our end-user luxury brands and visit their headquarters to collect their feedback. Our sales team (except Mr. Tam and Mr. Yeung) is entitled to receive commission based on their performance. As our quality is highly recognised by our customers and end-user luxury brands, we also receive referrals from the architects, designers and main contractors of end-user luxury brands from time to time.

Our marketing strategy is focused on enhancing our brand recognition through promoting our energy-saving solutions. We participate in exhibitions and trade shows worldwide as well as exhibitions organised by LVMH for their nominated suppliers. In addition, we plan to build up our on-line promotion platform through our website. Our Directors believe that our existing sales and marketing efforts, potential sales team expansion and business diversification are sufficient to maintain relationships with existing customers and end-user luxury brands and attract potential customers.

PRICING

We generally prepare our quotation based on our estimated costs to be incurred in the project plus a mark-up margin. We generally determine the mark-up by taking into account the scale, complexity and specification of the project (for example, whether it includes new design and production), expected manpower required, project duration, component costs, and subcontracting costs, as well as our customers' acceptable range of service price based on our past projects. Leveraging our technical expertise and service quality, we were able to negotiate a relatively stable mark-up margin during the Track Record Period.

SEASONALITY

Our business and revenue are not subject to seasonality.

REFURBISHMENT AND/OR RENOVATION CYCLE

Our revenue is affected by the refurbishment and/or renovation cycles of our customers. The key factors affecting the refurbishment and/or renovation cycle of our major types of customers are mainly the term of the tenancy agreement of shops leased by our customer and the change in shop concept by our customer which is in part influenced by the increasing trend of securing retail shop spaces in new prime retail or iconic shopping malls. In particular, certain customers categorise their shops into two major types, namely, flagship stores or non-flagship stores, where the duration of the refurbishment and/or renovation cycle of each store type differs. For further details of refurbishment and/or renovation cycle, see the section headed "Industry Overview – Refurbishment and/or Renovation Cycle" in this Prospectus.

OUR CUSTOMERS

Top Five Largest Customers

During the Track Record Period, the majority of our customers were either world-renowned luxury brands or their main contractors. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, sales to our five largest customers by contracting party accounted for approximately 45.4%,

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44.6% and 50.2% of our revenue, respectively and sales to our largest customer by contracting party accounted for approximately 12.9%, 11.5% and 15.5% of our revenue, respectively. The total number of our customers was 122 for each of the years ended 31 March 2016 and 2017 and 83 for the four months ended 31 July 2017. We have established strong relationships with our customers. In particular, a majority of our five largest customers by contracting party has at least three years' business relationship with us during the Track Record Period.

None of our Directors or their respective associates or our Shareholders who, to the best knowledge of our Directors, own more than 5% of the issued Shares of our Company, had any interest in our five largest customers during the Track Record Period. None of our five largest customers during the Track Record Period is connected to our Group.

The following table sets forth the details of our five largest customers by contracting party for the periods indicated.

For the year ended 31 March 2016

Customer	Background	Nature of work	Revenue for the year (HK\$'000)	% of our total revenue	Length of business relationship with us as at the Latest Practicable Date
MBM Group ⁽¹⁾	an international group specialising in providing facade solutions to world-renowned luxury brands, which includes subsidiaries in Hong Kong, the PRC and Thailand	Integrated LED lighting solution	5,433	12.9	over 10 years
Redwood Interior Pte Ltd.	an interior fitting-out fixture manufacturer for world-renowned luxury brands with key operations in Singapore and Malaysia	Sales of LED lighting fixtures	4,521	10.7	over six years
Rich Honour International Designs Co Ltd.	an interior design company based in Taiwan providing services to world-renowned luxury brands	Sales of LED lighting fixtures and integrated LED lighting solution	3,923	9.3	over six years
Customer A	a subsidiary of a French luxury brand in Macau, which is also a brand within LVMH Group	Integrated LED lighting solution	3,489	8.3	over three years
Customer H	a manufacturer of luxury brands' furniture & fixtures with key operations in Hong Kong and China	Sales of LED lighting fixtures	1,780	4.2	over six years

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For the year ended 31 March 2017

Customer	Background	Nature of work	Revenue for the year (HK\$'000)	% of our total revenue	Length of business relationship with us as at the Latest Practicable Date
Customer B	a Hong Kong-based subsidiary of an international leading contractor in engineering, project management, manufacturing and installation of architectural envelopes and interior systems	Integrated LED lighting solution	7,753	11.5	over 10 years
Rich Honour International Designs Co Ltd.	an interior design company based in Taiwan providing services to world-renowned luxury brands	Sales of LED lighting fixtures and integrated LED lighting solution	6,357	9.4	over six years
MBM Group ⁽¹⁾	an international group specialising in providing facade solutions to world-renowned luxury brands, which includes subsidiaries in Hong Kong, the PRC and Thailand	Sales of LED lighting fixtures and integrated LED lighting solution	6,102	9.0	over 10 years
Redwood Interior Pte Ltd.	an interior fitting-out fixture manufacturer for world-renowned luxury brands with key operations in Singapore and Malaysia	Sales of LED lighting fixtures and integrated LED lighting solution	5,493	8.1	over six years
Customer C	an interior solution service provider for luxury brands, with key operations in Hong Kong, the PRC and Macau	Sales of LED lighting fixtures	4,472	6.6	over six years

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For the four months ended 31 July 2017

Customer	Background	Nature of work	Revenue for the year (HK\$'000)	% of our total revenue	Length of business relationship with us as at the Latest Practicable Date
Customer E	a full service design/construction firm based in South Korea	Sales of LED lighting fixtures	2,866	15.5	over nine years
Rich Honour International Designs Co Ltd.	an interior design company based in Taiwan providing services to world-renowned luxury brands	Sales of LED lighting fixtures	2,097	11.3	over six years
Customer F	a subsidiary of a French luxury brand in the PRC which is also a brand within LVMH Group	Sales of LED lighting fixtures	1,706	9.2	approximately one year ⁽²⁾
Redwood Interior Pte Ltd.	an interior fitting-out fixture manufacturer for world-renowned luxury brands with key operations in Singapore and Malaysia	Sales of LED lighting fixtures	1,471	7.9	over six years
Customer G	an international interior woodwork company serving residential, contract, hotel and retail markets in the U.S., Europe and Asia	Sales of LED lighting fixtures	1,167	6.3	over six months ⁽³⁾

Notes:

- (1) MBM Group comprises B. GRIMM MBM Metalworks Ltd. (“**MBM Metalworks**”), MBM Metalworks Hong Kong Ltd. (“**MBM Hong Kong**”) and MBM Construction Curtain Wall Engineering (Shenzhen) Ltd. (“**MBM Shenzhen**”). To the best of our Directors’ knowledge, information and belief, MBM Metalworks, MBM Hong Kong and MBM Shenzhen had the same controlling shareholder during the Track Record Period.
- (2) Despite the approximately one-year business relationship with this customer, we have also cooperated with a subsidiary of its parent company based on the geographical location of our projects. We have maintained a long term business relationship of over three years with this subsidiary, Customer A.
- (3) Despite the over six-month of business relationship with this customer, we also have over six years of business relationship with its parent company. We have cooperated with this customer due to the geographical location of our projects in the PRC.

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Revenue by Major End-user Luxury Brands

The following table sets forth the revenue breakdown by major end-user luxury brands during the periods indicated.

For the year ended 31 March 2016

Brand	Background	Revenue for the year (HK\$'000)	% of our total revenue	Length of business relationship with us as at the Latest Practicable Date
Louis Vuitton	one of the world's leading international fashion and luxury retail brands originating from Paris, France, and is a brand within the LVMH Group	9,181	21.8	over 12 years
Christian Dior	a French retail luxury goods brand which is a brand within the LVMH Group	7,446	17.7	over nine years
Bvlgari	an Italian jewellery and luxury goods brand which is a brand within the LVMH Group	7,190	17.1	over two years
Brand A	an American luxury jewellery brand originating from New York, U.S.	2,995	7.1	less than one year
Brand B	a Hong Kong based brand of luxury travel retailer	2,872	6.8	approximately two years
Brand C	a French luxury goods brand of jewellery and watches	2,141	5.1	over eight years
Fendi	an Italian luxury fashion brand of fur, fur accessories and leather goods, and is a brand within the LVMH Group	1,213	2.9	over nine years

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For the year ended 31 March 2017

Brand	Background	Revenue for the year (HK\$'000)	% of our total revenue	Length of business relationship with us as at the Latest Practicable Date
Louis Vuitton	one of the world's leading international fashion and luxury retail brands originating from Paris, France, and is a brand within the LVMH Group	33,668	50.0	over 12 years
Bvlgari	an Italian jewellery and luxury goods brand which is a brand within the LVMH Group	10,927	16.2	approximately two years
Christian Dior	a French retail luxury goods brand which is a brand within the LVMH Group	4,734	7.0	over nine years
Brand D	a French high fashion brand that specialises in haute couture and ready-to-wear clothes, luxury goods and fashion accessories	3,431	5.1	over 10 years
Fendi	an Italian luxury fashion brand of fur and fur accessories, and is a brand within the LVMH Group	3,220	4.8	over nine years
Brand E	an Italian luxury brand of fashion and leather goods	1,630	2.4	over four years
Brand C	a French luxury goods brand of jewellery and watches	1,410	2.1	over eight years

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For the four months ended 31 July 2017

Brand	Background	Revenue for the year (HK\$'000)	% of our total revenue	Length of business relationship with us as at the Latest Practicable Date
Louis Vuitton	one of the world's leading international fashion and luxury retail brands originating from Paris, France, and is a brand within the LVMH Group	6,429	34.7	over 12 years
Bvlgari	an Italian jewellery and luxury goods brand which is a brand within the LVMH Group	4,409	23.8	approximately two years
Christian Dior	a French retail luxury goods brand which is a brand within the LVMH Group	2,219	12.0	over nine years
Brand C	a French luxury goods brand of jewellery and watches	1,311	7.1	over eight years
Brand D	a French high fashion brand that specialises in haute couture and ready-to-wear clothes, luxury goods and fashion accessories	1,199	6.5	over 10 years
Fendi	an Italian luxury fashion brand of fur and fur accessories, and is a brand within the LVMH Group	1,102	6.0	over nine years

We derived a significant portion of our revenue from a small number of end-user luxury brands during the Track Record Period which was mainly attributable to Louis Vuitton since we provided LED lighting solutions together with LED lighting fixtures for Louis Vuitton. Revenue attributable to Louis Vuitton was 21.8%, 50.0% and 34.7% for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. The increase for the year ended 31 March 2017 was mainly due to (i) the increase in the completion of major projects relating to Louis Vuitton for the provision of LED lighting solutions projects in Hong Kong and Singapore during the financial year ended 31 March 2017 which coincided with increased renovations and refurbishments brought about primarily by Louis Vuitton's change of shop concept and (ii) a major new flagship store project in Taiwan. Without taking into account major projects of such nature, the revenue attributable to Louis Vuitton was 30.8% for the year ended 31 March 2017 and returned to 34.7% for the four months ended 31 July 2017.

It is an industry norm for most LED lighting product and service providers in the luxury retail market to rely on a few major customers, including LVMH Group, Richemont and Kering, which demonstrate strong international presence. Due to the nature of the industry, it is common for LED lighting solutions providers to rely on a few clients, mainly luxury retail brands, and such client concentration is not uncommon in our industry in which a few leading luxury retail brands account for substantial market shares.

Luxury brand customers place emphasis on the visual alignment of their retail stores across the globe and place importance on cooperating with experienced, credible and reputable firms to work with their store designers. We have cooperated with Louis Vuitton since 2004 and other luxury brands since 2006 and have maintained a good relationship with, and gained an in-depth understanding on conducting

business with, luxury brand customers. We understand our customers' needs to create and incorporate new designs and concepts into their retail shops. With our experience in providing LED lighting products and services, and our research and development capabilities, we have been able to bring our customers' designs and concepts to reality. As a result, we have successfully retained existing customers and engaged new brand customers during the Track Record Period, of which seven, five and two new brand customers were engaged during the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. We have also continued to diversify our customer base after the Track Record Period and up to the Latest Practicable Date by having engaged three new brand customers and in the process of engaging three potential brand customers.

After taking into consideration of the factors set out above, our Directors are of the view that we do not have a significant reliance on any major customer.

Revenue by Fast-fashion Retail Chains

During the Track Record Period, we had the opportunity to cooperate with two fast-fashion retail chains on ad hoc projects relating to the sales of LED lighting fixtures and provision of LED lighting facade consultation service, and the revenue generated during the Track Record Period was approximately HK\$0.2 million. Upon completion of such projects, we became aware of the business potential of entering the fast-fashion retail industry based on (i) the location of shops being conveniently situated to end-users, (ii) the size of the shops being large and spacious, and (iii) having a considerable number of shops within a city.

Our Arrangements with Customers

In line with the industry practice, our integrated LED lighting solution projects have been awarded to us on a project basis and are non-recurring in nature. In addition, customers do not normally enter into long-term agreements with LED lighting service providers but request for quotation on a project basis. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term cooperative agreement with any main contractor or end-user luxury brands, except a master agreement for the supply of LED lighting fixtures entered into with LVMH by Bluelite Concept as measured by revenue generated during the Track Record Period in June 2014 which expired in May 2017 (the "**Master Agreement**"). The Master Agreement was entered into as part of the various sales and marketing campaigns of our Group, where our intention was to further promote our brand name (i.e., Bluelite Concept) and its related products and services to entities within the LVMH Group, and to encourage collaboration opportunities with the various end-user luxury brands of the LVMH Group. The key terms and conditions in the Master Agreement included the following:

- *Term.* The Master Agreement had a three-year term.
- *Rights and obligations.* Pursuant to the Master Agreement, we agreed to provide lighting devices and related services to all LVMH entities for their respective indoor and outdoor applications, including retail stores, industrial premises and offices, in compliance with the standards specified in the Master Agreement. However, LVMH was not obligated to purchase any lighting devices from us under the Master Agreement.
- *Pricing.* Pursuant to the Master Agreement, we were requested to submit a price list for our lighting devices and related services, which was to be considered as agreed prices for all LVMH entities to purchase in the coming year, unless such price list was refused by any LVMH entity in writing within 15 days after the receipt of such price list.

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- *Rebate.* We agreed to pay LVMH rebates ranging from 3.0% to 5.5% of the net sales revenue to LVMH entities on an annual basis, depending on the amount of net annual sales revenue.
- *Quantity.* There was no minimum purchase commitment under the Master Agreement.
- *Exclusivity.* We were prohibited from selling any lighting devices specifically and exclusively manufactured for LVMH to any other third parties.
- *Termination.* The Master Agreement could be terminated (i) due to material breach of its terms and conditions, (ii) due to insolvency of either party, or (iii) due to force majeure.

Our management had not extended the Master Agreement with LVMH upon its expiration, and we are open to future discussions with LVMH in extending or entering into a new master agreement. With a view to advancing our business strategies and furthering our geographic expansion, we believe that entering into a new master agreement with LVMH may continue to broaden our existing marketing channel to promote our LED lighting products and services and our brand name to the other entities within the LVMH Group which we have yet to cooperate with. We have received a draft of a new master agreement from LVMH with a term of three years and are currently finalising the details of the proposed terms and conditions with LVMH. Our Directors believe that the new master agreement will be entered into with major terms that are in general similar to the Master Agreement or on better terms. Although we have not yet entered into a new master agreement with LVMH, we believe there will be minimal impact on the financial and non-financial aspect of our Group, as we had ongoing business transactions with the entities within the LVMH Group prior to entering into the Master Agreement. In particular, we continued to be awarded over 100 new projects with the entities within the LVMH Group after the expiration of the Master Agreement and up to the Latest Practicable Date, which amounted to an aggregate contract sum of over HK\$25.0 million. We also continue to be one of the existing business partners of LVMH and continue to have business communications with LVMH in relation to its marketing activities. Accordingly, we believe our current relationship with LVMH is sufficiently robust, regardless of whether we ultimately enter into a new master agreement. As at the Latest Practicable Date, the Company had settled the sales rebate payable to LVMH in full.

OUR SUPPLIERS AND SUBCONTRACTORS

Top Five Largest Suppliers

Our suppliers primarily include manufacturers or distributors of components, fixtures and consumables. During the Track Record Period, we outsourced the production of all LED lighting fixtures. Our subcontractors are responsible for our installation works. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, purchases attributable to our five largest suppliers accounted for approximately 47.4%, 65.0% and 82.1% of our direct costs, respectively and purchases attributable to our largest supplier accounted for approximately 22.9%, 22.7% and 58.6% of our total direct costs, respectively.

As at the Latest Practicable Date, we had a pool of over 20 suppliers and subcontractors located in Hong Kong, Macau, the PRC, Taiwan, Malaysia, the United States and other countries or regions, from which we generally select for our projects. In general, we have more than one supplier or subcontractor as our candidates for the same component or subcontracting work and thus we do not rely on any particular supplier in sourcing components or any particular subcontractor for subcontracting works. This pool of suppliers and subcontractors is reviewed and updated on an ongoing basis by our management according to the quality, pricing and production schedule of the components and services provided.

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We generally do not enter into long-term contracts with our suppliers and subcontractors and our orders are placed on an order-by-order basis according to our project schedule. We have established long-term relationships with our five largest suppliers for over five years on average. Over the years, we have been working closely with them and have maintained good relationships. Our Directors believe that we do not place undue reliance on any of our suppliers or subcontractors as we have alternative sources for our major components and services.

None of our Directors or their respective associates or our Shareholders who, to the best knowledge of our Directors, own more than 5% of the issued Shares of our Company, had any interest in our five largest suppliers during the Track Record Period. None of our five largest suppliers during the Track Record Period is connected to our Group.

The following table sets forth the details of our five largest suppliers during the periods indicated.

For the year ended 31 March 2016

Supplier	Background	Fixtures and components provided to us	Net purchase for the year (HK\$'000)	% of our total direct costs	Length of business relationship with us as at the Latest Practicable Date
Pacific Locus Company Limited ⁽¹⁾	a trading company in Hong Kong	LED lighting fixtures	4,335	22.9	over two years
Mantic Lighting Co., Limited	a manufacturer in the PRC	LED lighting fixtures and dimmer	2,551	13.5	over two years
Acrosentec Co., Ltd.	a supplier of optoelectronic components and LED lighting products based in South Korea	LED lighting fixtures	934	4.9	over seven years
Supplier A	the Hong Kong subsidiary of an electronic components distributor founded in 1968 and headquartered in Montreal	LED chips	599	3.2	over 12 years
Supplier B	a jointly owned Hong Kong subsidiary of Japan-based and Taiwan-based providers of inorganic luminescent materials, such as LED and laser diodes	LED chips	550	2.9	over 11 years

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For the year ended 31 March 2017

Supplier	Background	Components/service provided to us	Net purchase for the year (HK\$'000)	% of our total direct costs	Length of business relationship with us as at the Latest Practicable Date
TopSemi Group ⁽²⁾	manufacturers in the PRC	LED lighting fixtures and dimmer	6,487	22.7	over four years
Mantic Lighting Co., Limited	a manufacturer in the PRC	LED lighting fixtures and dimmer	3,937	13.8	over two years
Guangzhou Weishiao Electronic Equipment Co., Ltd.	a trading company based in the PRC which supplies, among others, hardware components	LED lighting fixtures and visual-audio system	3,619	12.7	over one year
Ruizhi Energy Saving Technology Co., Ltd ⁽¹⁾	a trading company based in the PRC	LED lighting fixtures	3,063	10.7	over nine months
Pacific Locus Company Limited ⁽¹⁾	a trading company based in Hong Kong	LED lighting fixtures	1,463	5.1	over two years

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For the four months ended 31 July 2017

Supplier	Background	Components/service provided to us	Net purchase for the year (HK\$'000)	% of our total direct costs	Length of business relationship with us as at the Latest Practicable Date
Ruizhi Energy Saving Technology Co., Ltd ⁽¹⁾	a trading company based in the PRC	LED lighting fixtures	5,324	58.6	over nine months
Mantic Lighting Co., Limited	a manufacturer in the PRC	LED lighting fixtures and dimmer	1,359	15.0	over two years
TopSemi Group ⁽¹⁾⁽²⁾	manufacturers in the PRC	LED lighting fixtures and dimmer	274	3.0	over four years
Acrosentec Co., Ltd.	a supplier of optoelectronic components and LED lighting products based in South Korea	LED lighting fixtures	273	3.0	over seven years
Go-Well Technology Trading Company	a trading company based in Hong Kong	Dimmer and power supply	227	2.5	over nine years

Notes:

- (1) During the Track Record Period, these suppliers were also customers of the Group and their purchase for the year is presented as a net transaction amount. For further details, see “— Overlap between customers and suppliers”.
- (2) TopSemi Group comprises TopSemi Electronics Co., Ltd. and TopSemi Technology Limited. To the best of our Directors' knowledge, information and belief, TopSemi Electronics Co., Ltd. and TopSemi Technology Limited had the same controlling shareholder during the Track Record Period.

Our Procurement Process

Generally, our customers do not specify the brand or type of components we use and we are responsible for purchasing components for our integrated LED lighting solution projects as well as sales of LED lighting fixtures. Our material management department sources components, invites quotations, conducts price evaluation and negotiates with our suppliers. Our primary components are LED chips, and dimmers which we primarily purchase from our suppliers in the PRC, Hong Kong and Japan.

We issue purchase orders to suppliers from our approved list of suppliers based on their past performances and their capability to comply with the specified project requirements. If we plan to purchase components from a supplier that is not on our approved list, we would request the supplier to submit a formal quotation. We evaluate the supplier before we issue any purchase orders. Generally, we have more than one supplier as our candidates for the same component. We have maintained a good working relationship with our suppliers and, barring unforeseeable circumstances, do not foresee any difficulties in sourcing components in the future. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any difficulty or material shortage in component procurement. Therefore, our Directors believe that we do not overly rely on any of our suppliers and we are able to engage alternative suppliers if necessary.

LED chips are the key components for our sales of LED lighting fixtures as well as integrated LED lighting solution projects. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, our purchases of LED chips represented 6.1%, 1.9% and less than 0.1% of our total direct costs, respectively. We have maintained long-term cooperative relationships with Supplier A, a Hong Kong subsidiary of an electronic components distributor founded in 1968 and headquartered in Montreal, for over 12 years, and Supplier B, a jointly owned Hong Kong subsidiary of Japan-based and Taiwan-based providers of inorganic luminescent materials, for over 11 years. However, we do not have long-term contracts with any of our suppliers, including Supplier A and Supplier B. Leveraging our strong cooperative relationships with such suppliers, we have been able to purchase high-quality LED chips that are highly consistent in colour presence from them, which is critical to our large-scale facade projects. We enter into purchase contracts with our suppliers on an order-by-order basis, which generally specify the type, quantity, price and delivery of the components that we purchased. The price is negotiated between our suppliers and us with reference to the market price at the time. However, we generally place purchase orders to procure components from our suppliers after the customer has placed order to purchase LED lighting fixtures from us or engaged us for LED lighting services. Therefore, we may not be able to successfully pass the price difference to our customer if there is any significant price fluctuation after we submit our quotation. See “Risk Factors — Risks Relating to Our Business and Our Industry — Our failure to accurately estimate the time and costs required for projects may lead to cost overruns or even losses in our projects.” Our suppliers generally grant us credit terms of up to 30 days. Starting from July 2016, certain suppliers based in the PRC began to procure LED chips by themselves in accordance with our specifications. As a result, we placed less purchase orders with such suppliers, and accordingly Supplier A and Supplier B ceased to be our five largest suppliers for the year ended 31 March 2017 and the four months ended 31 July 2017.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuation in the prices of our key components. We do not currently have and do not plan to have any hedging policies in the near future with regard to our components.

Our Arrangements with Suppliers

Our orders with the suppliers are placed on an order-by-order basis according to our project schedule and the terms of our arrangements with our suppliers are generally stipulated in the purchase orders and may vary on a case-by-case basis. The key terms generally include the description of goods, quantity, unit price, amount, payment terms, shipping information and delivery date.

On 30 March 2017, Shenzhen Chuangheng entered into a one-off sales contract on behalf of MIS Technology Project with Guangzhou Weishiao for the procurement of hardware components (the “**Sales Contract**”), for a visual-audio systems project in the PRC. The key terms and conditions of the Sales Contract included the following:

- *Rights and obligations.* Pursuant to the Sales Contract, Guangzhou Weishiao has agreed to provide us with a fixed quantity of hardware components, including LCD panels, external image processors, visual presenters, LED displays and wires, together with its technical service. Such hardware components were to be collected by us after payment of the purchase price.
- *Pricing.* We paid the purchase price of approximately RMB1.42 million within one week after entering into the Sales Contract.

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- *Warranty.* We are provided with a 12-month warranty commencing from the date of the VAT invoice provided by Guangzhou Weishiao, in accordance with the specifications of the original hardware manufacturer.

Overlap between Customers and Suppliers

During the Track Record Period, three of our suppliers, namely Pacific Locus Company Limited, Ruizhi Energy Saving Technology Co., Ltd. and TopSemi Group may purchase components from us if we have such components in stock or have access to the source of obtaining such components that they required. Components sold to such suppliers primarily include LED chips. The terms of the sales transactions with such suppliers are similar to the transactions with our other customers. Our sales invoices to such suppliers are standardised invoices applicable to other major customers. In addition, our Directors confirm that during the Track Record Period: (i) negotiations of the terms of our sales to and purchases from such suppliers were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis, and (ii) none of the products we purchased from such suppliers has been subsequently sold to the same suppliers.

The following table sets forth the total sales and total purchases attributable to the above suppliers for the periods indicated:

	Year ended 31 March		Four months ended 31 July 2017
	2016	2017	
Gross transaction amount			
Sales to the above customer-suppliers (<i>HK\$'000</i>)	3,276	2,166	249
Purchases from the above customer-suppliers (<i>HK\$'000</i>)	7,611	6,692	5,847
Net transaction amount			
Net purchase from the above customer-suppliers (<i>HK\$'000</i>)	4,335	4,526	5,598

For further details of the above transactions, please refer to section headed "Financial Information — Discussion of Key Consolidated Statements of Financial Position — Trade Payables".

Subcontracting

As an integrated LED lighting solution provider, we are responsible for the overall LED lighting solution project. We employ our own designers and engineers to work on more technically sophisticated parts of the project, such as system design, selection of LED components and project management, and depending on our customers' request, delegate other labour intensive works such as LED lighting fixture installation to subcontractors by entering into separate contracts with them. Subcontracting provides a flexible and cost-efficient means of meeting fluctuating workload, which is in line with the market practice. With respect to our projects located in Hong Kong, the installation works are generally completed by our subcontractors. All installation works of our projects located outside Hong Kong are completed by our local subcontractors.

Our Arrangements with Subcontractors

The terms of our arrangements with our subcontractors may vary depending on the terms of the main contracts with our customers or the end-user luxury brands (as the case may be), but generally included details of the subcontracting works and subcontracting price as well as payment terms.

Our subcontracting fees are generally determined based on the estimated costs to be incurred by our subcontractors, primarily including labour costs and costs of raw accessories, plus a mark-up margin.

Our subcontractors are neither our employees nor agents, and we are not a party to the employment arrangement between our subcontractors and their employees. Our project manager monitor the works of our subcontractors.

Our Relationships with Subcontractors

We do not enter into long-term contracts with our subcontractors. Instead, we maintain long-standing working relationships with them. As at the Latest Practicable Date, we had eight subcontractors on our approved list, of which four subcontractors had four or more years of working relationships with us. The long-standing relationships with subcontractors enable us to comprehensively assess our subcontractors over the years so as to better control the quality and schedule of works in the long run. During the Track Record Period, we did not experience any difficulties in finding suitable subcontractors and our Directors do not foresee any difficulties in finding substitute subcontractors should that become necessary.

For any given project, we select subcontractors based on a number of parameters including the requirements in the main contract with our customer, previous cooperation experience and our evaluation of their performance from the list of approved subcontractors maintained by us, which is regularly reviewed and updated. We also submit our subcontractors' information to the main contractor of that project for their review. As at the Latest Practicable Date, all of our subcontractors were Independent Third Parties.

Subcontracting Charges and Payment to Subcontractors

Based on our long-standing relationship with our subcontractors, we are familiar with their charging rates for various scopes of work. We normally obtain fixed-price quotations from subcontractors after receipt of the contract awarded by our potential customers. If we accept the quotation and the terms and conditions contained therein, we will counter-sign the quotation and return it to the subcontractor as our acceptance. Our subcontractors generally grant us credit terms of up to 30 days. We generally pay our subcontractors up to 50% of the subcontracting amount upon the confirmation of quotation and settle the remaining balance upon the completion of installation works. Occasionally, we pay our subcontractors deposits of up to 30% of the subcontracting amount. Our Directors are of the view that, leveraging our long-standing relationships with our subcontractors, we have been able to manage the pricing risk involved resulting from any difference in the timing of our contract awards and the time when our subcontractors provide the quotation.

Liabilities and Control Measures

We are liable to our customers for the performance of our subcontractors if required under the terms of the main contract entered into between us and our customers, which includes acts, defaults or neglect of our subcontractors. We generally require subcontractors to rectify all defects or other faults in the subcontract works that they engaged in within the warranty period after the project is completed.

In order to manage the progress and quality of work conducted by our subcontractors, we typically engage subcontractors with whom we have cooperated for years. Our project manager conducts regular review on work progress with the appointed subcontractors.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any delayed performance by our subcontractors and we had not received any material claims or complaints from our customers for substandard work of our subcontractors.

QUALITY CONTROL AND WARRANTY

Our Directors believe that our results and hence our profits depend on our ability to meet our customers' and the end-user luxury brands' requirements. In pursuit of quality excellence, we generally establish a quality management team for our projects, primarily consisting of a project manager, a sales staff, an engineer, a site manager and also a research and development staff on a project basis, to monitor the quality throughout our projects. Our quality management team holds meetings to discuss project progress and any identified quality control issues. We also hold internal meetings to evaluate our performance.

We monitor our work quality throughout our work process from the component procurement stage to the completion stage to ensure our work and services meet the standards required by each of our customers:

- Component procurement stage: Generally, we only procure components from our approved list of suppliers based on their past performances and their capability. We also carry out factory inspection if necessary. Our engineering staff inspects the fixtures before we accept them.
- Manufacturing stage: Our project manager carries out regular site inspection to check the work quality and progress by our suppliers to ensure our suppliers have complied with our design and manufacturing instructions during the manufacturing process.
- Installation stage: Our engineering staff conducts inspection of our subcontractors and our customers' subcontractors' installation work. Our project manager holds meetings with our subcontractors to explain our engineering and technical design before commencing the installation work. In addition, our project manager carries out site visits to assess work quality and progress.
- Completion stage: We carry out a final quality inspection after our subcontractors complete their work and before we deliver our products and solutions to our customers.

All of our LED lighting fixtures sold to Europe are CE-certified, all of our LED lighting fixtures sold to the PRC are CCC-certified and all of our LED lighting fixtures sold to South Korea are KC-certified. For further details on the abovementioned certifications, please see the section headed "Regulatory Overview" in this Prospectus.

During the Track Record Period, we had not received any complaint or request for compensation from our customers due to material quality issues in relation to our works and products.

Warranty

For sales of LED lighting fixtures, we generally provide a one-year warranty period where we provide spare fixtures for damages caused by normal use. For our integrated LED lighting solution projects, we generally provide a warranty period ranging from one year to three years, where we offer on-site inspection and solutions when issues related to our products arise. For works done by our subcontractors or fixtures provided by our suppliers that are defective, we will require such defects to be rectified by such subcontractors or suppliers.

During the Track Record Period, we have not experienced any warranty claims from our customers that had a material adverse impact on us and we have incurred warranty expenses of HK\$0.1 million and HK\$0.1 million for the year ended 31 March 2016 and 31 March 2017, respectively, and reversed warranty expense of HK\$31,000 previously provided for the four months ended 31 July 2017.

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MACHINERY AND EQUIPMENT

During the Track Record Period, we did not have any plant and machinery. We expect to purchase machinery and equipment for use in our factory for the production of LED lighting fixtures in the future. For details of the machinery and equipment to be purchased, see the paragraph headed “Capital Expenditure” under the section headed “Future Plans and Use of Proceeds — Use of Proceeds — Net Proceeds — Operations”.

CREDIT MANAGEMENT

Our products and services are generally paid by stages according to the progress of the projects. Our credit period for each customer is considered on a case-by-case basis taking into account of their relationships with us, credit history and the existing market conditions and other material conditions set out in the contracts. We generally grant our customers a credit period of 0 to 30 days. During the Track Record Period, fees were generally paid to us according to the following schedule.

Products/Services	Stage		
	Quotation confirmation	Delivery of products/services	Completion of installation (if applicable)
Integrated LED lighting solution services	50%	40-50%	Up to 10%
Sales of LED lighting fixtures	50%	50%	—
LED lighting system consultation services	Up to 30%	70-100%	—
LED lighting system maintenance services	100%	—	—
Sales of visual-audio systems	50-100%	—	Up to 50%

Our fees during the Track Record Period were primarily made and settled by way of bank transfer or cheque and was mainly denominated in Hong Kong dollars and Renminbi. Our finance department is responsible for preparing invoices at each stage of the project when the payment is due. Our finance department also monitors the settlement of our receivables and work with our customer managers to liaise with the customers settling any overdue balances. For details of provision for impairment of trade receivables, see “Financial Information — Discussion of Key Consolidated Statements of Financial Position — Trade and Other Receivables — Trade receivables”.

Our suppliers and our subcontractors generally grant us an average credit period of 0 to 30 days. Our Directors believe that we have sufficient working capital (in the form of cash at banks) and available banking facilities to finance our business and we had never failed to pay any of our suppliers and/or subcontractors due to cash flow problems during the Track Record Period.

INVENTORY MANAGEMENT

As at 31 March 2017 and 31 July 2017, our inventory primarily consisted of components we stored for potential customer orders. We did not record any inventory as at 31 March 2016. To manage our inventory level, our components required for each project or order are generally procured on an as-needed basis after the customer has placed an order to purchase LED lighting fixtures from us or engaged us for LED lighting services. See “— Our Suppliers and Subcontractors — Our Procurement Process”.

RESEARCH AND DEVELOPMENT

We have accumulated LED lighting know-how, technical knowledge and engineering expertise through our over 12 years’ history as an LED lighting solution provider. Our research and development team comprises two staff that has focused on technical innovations to be applied in our projects and our

engineering team consists of 10 engineers that have continuously focused on technical improvements to meet our customers' request. Members of our research and development team have an average of over 12 years of experience in the design and engineering in the LED industry and relevant industries and members of our engineering team have an average of over 10 years of experience in the low voltage engineering industry, which is vital for LED lighting system design and engineering. Our research and development capabilities and engineering expertise have enabled us to customise and integrate a central control system to be installed on a portable device through which our end-user luxury brands are able to manage and adjust the effect of the LED lighting system remotely. In addition, benefiting from our engineering expertise in the low voltage engineering industry, we have successfully introduced certain engineering devices into LED lighting systems, such as LED drivers, through which the energy consumption of the LED lighting system can be reduced by approximately 15.3 to 49.2%, depending on different lighting intensity of the LED chips, as compared with other traditional LED lighting systems. As at the Latest Practicable Date, we had five patents registered in the PRC with respect to our customised LED lighting fixtures.

We did not, in the past, incur significant research and development expenses, as we have focused more on technical improvement instead of technical innovation in response to end-user luxury brands' requirements. Our total research and development expenses were HK\$1.0 million for each of the years ended 31 March 2016 and 2017 and HK\$0.3 million for the four months ended 31 July 2017. They primarily consisted of our research and development staff's salaries. In line with our business strategies, we plan to devote more efforts and dedicate more resources on research and development.

Our research and development team will, on an ongoing basis, seek to research, develop and commercialise technical innovations to be applied in our projects and also to better reduce our costs. We are committed to achieving a leadership position in technology for the LED lighting industry in Asia. We plan to dedicate more resources to our further research and development efforts by upgrading the engineering and testing equipment such as high-end 3D printing devices and computer numerical control machine. We also intend to offer more technical training to our engineering staff to provide them with up-to-date know-how on technical developments and innovation.

COMPETITION

The LED lighting solutions industry is highly fragmented and competitive in Hong Kong, Asia Pacific and the globe. Retail brands typically evaluate LED lighting product and service providers on the basis of product quality, relevant experience, technical expertise, new product renovation, price and excellence of customer services. According to the Frost & Sullivan Report, there were over 15 LED lighting solutions in Hong Kong focusing on the luxury retail market. In 2016, the total revenue of LED lighting solutions for the luxury retail market in Hong Kong was HK\$200.4 million. We were one of the major LED lighting solutions providers for the luxury retail market with approximately 8.1% of Hong Kong market shares, according to the Frost & Sullivan Report. We believe we compete effectively with them. See "Industry Overview — Competitive Landscape of LED Lighting Solutions Market."

The barriers to entry into the LED lighting industry include difficulties in shifting from conventional lighting companies to an integrated LED lighting solution provider, the industry expertise and project management capabilities required and the relationships with retail brands and their respective main contractors. For more information on the LED lighting industry, see "Industry Overview — Overview of LED Lighting Market".

WORK SAFETY AND ENVIRONMENTAL MATTERS

We are subject to the requirements of environmental and safety and health laws and regulations in the jurisdictions in which we operate. See "Regulatory Overview".

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Our Directors believe it is essential for us to be environmentally responsible. In general, we do not generate any pollutant during our operations. In addition, it is an industry trend that world-renowned luxury retail brands such as LVMH and Fendi have devoted more effort to their social responsibilities including environmental protection. As a result, they require their suppliers to comply with updated environmental standards throughout their supply chain, such as ISO14001 or the EU Eco-Management and Audit Scheme (EMAS). To ensure our products comply with their requirements, LVMH inspects factories of our subcontractors in accordance with their internal requirements. During the Track Record Period, we did not incur any cost of compliance with environmental laws and regulations as we do not generate any pollutant during our operations.

We have established our internal work safety policy. Our employees are required to obtain the Construction Industry Safety Training Certificate issued pursuant to Section 6BA(2) of the Factories and Industrial Undertakings Ordinance before they can enter into a construction site. As at the Latest Practicable Date, nine of our employees held the Construction Industry Safety Training Certificate. We are also subject to the supervision of the onsite safety officer of the main contractor in accordance with relevant work safety laws. During the Track Record Period, we did not experience any material injury or fatal accident in any of our projects.

INSURANCE

In order to cover our Group from liability, we maintain policies of a nature and amount that we consider adequate, and evaluate from time to time such policies based on our past experience, production changes, industry developments and various considerations. We have also maintained employees' compensation insurance for our employees. Except as noted in relation to insurance for certain staff in the paragraph headed “— Regulatory Compliance and Legal Proceedings — Regulatory Compliance — Non-compliance Matter” of this section, our Directors believe that our current insurance coverage is sufficient for our business operation.

We are not required to maintain all-risk and third party liability insurance for our integrated LED lighting solution projects which may be taken out either by property owners or the main contractors. From time to time, we also maintain all-risk and third party liability insurance for integrated LED lighting solution projects if our management deems necessary depending on the complexity of the project. We are not required to maintain insurance for product warranty matters.

Our Directors are of the view that our current insurance policies provide sufficient coverage of the risks to which we may be exposed and are in line with the industry norm. Our Directors confirm that our Group was not subject to nor received any insurance claims during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

We have been conducting our LED lighting business in Hong Kong using “Bluelite” and “IMS 512” as our brand names. As at the Latest Practicable Date, we have registered two trademarks in Hong Kong which are material in relation to our business. For details, see “Appendix IV — Statutory and General Information — B. Further Information about our Business” to this Prospectus.

As at the Latest Practicable Date, we have five patents registered in the PRC with respect to our customised LED lighting fixtures. Save as disclosed above, our business or profitability is not dependent on any patent or licence or other intellectual property rights.

As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for violation of intellectual property rights or any material violation.

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PROPERTIES

As at the Latest Practicable Date, we did not own any property and all of our places of operations were leased properties. The table below sets forth details of our leased property as at the Latest Practicable Date.

No.	Leased Properties	GFA	Purpose	Expiry dates of the leases
1	Flat 1201 Block C Seaview Estate No. 8 Watson Road North Point Hong Kong	6,497 sq.ft.	Workshop	13 September 2019
2	Room 1, 18/F 148 Electric Road North Point Hong Kong	1,685 sq.ft.	Office	23 July 2019
3	Unit 1918 Huasheng Zhihui Mansion Xinsha Road South Shajin Shenzhen, PRC	44.28 sq.m.	Shenzhen branch office	15 July 2018

Our leased property in Hong Kong is primarily used as our office and workshop. The use of our leased property in Hong Kong as office may constitute a non-compliance matter. See “— Regulatory Compliance and Legal Proceedings — Regulatory Compliance — Non-compliance matter”.

EMPLOYEES

We had 35 full-time employees as at 31 March 2016 and 2017 and had 37 full-time employees as at 31 July 2017. As at the Latest Practicable Date, we had 36 full-time employees, of which 33 employees were in Hong Kong and three employees were in the PRC. The number of our employees classified by function as at the Latest Practicable Date is as follows.

Functions	Number of employees as at 31 July 2017
Management	2
Engineering, quality assurance and services	11
Finance and administration	10
Project management	5
Sales	3
Material management	3
Research and development	2
Total	36

We believe that we maintain good relationships with our employees. We had not experienced any material industrial action, work stoppages or labour disputes during the Track Record Period and up to the Latest Practicable Date.

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We view recruiting, training and retaining skilled employees as an important element of our business. We will organise our staff to attend training programmes held by third-party training institutions, which are designed to develop their skills that we need to meet our enterprise goals and customer requirements, and to meet certain training requirements such as mandated customer or regulatory requirements and contractual obligations.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Regulatory Compliance

Non-compliance Matter

Set out below is the non-compliance on the laws and regulations in the PRC and Hong Kong during the Track Record Period.

Non-compliance incident	Reason for non-compliance	Potential legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
<p><i>Non-compliance with government lease, deed of mutual covenant and occupation permit in Hong Kong</i></p> <p>Unit 1201, Block C, Seaview Estate, No. 8 Watson Road, North Point, Hong Kong (the “Hong Kong Leased Property”) is being used by us as head office (the “Actual Use”). The permitted use as specified in each of the relevant (i) government lease and (ii) deed of mutual covenant is for industrial purposes only.</p> <p>Accordingly, the Actual Use does not comply with the permitted use as specified in the relevant government lease and deed of mutual covenant.</p>	<p>The non-compliance was due to our unintended and inadvertent oversight. At the time of leasing the Hong Kong Leased Property, the administrative manager, who was responsible for locating suitable premises, was unaware of the restrictions on use of the Hong Kong Leased Property.</p>	<p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant government lease is that the government authority is entitled to re-enter the Hong Kong Leased Property and claim for damages.</p> <p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant deed of mutual covenant is that the incorporated owners or the manager of the building containing the Hong Kong Leased Property is obliged to enforce the term of the deed of mutual covenant by claiming against IMS 512, inter alia, for an injunction from the court prohibiting the Actual Use in contravention of the term of the deed of mutual covenant.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any notification from the government authority that it would immediately terminate the use of the Hong Kong Leased Property by IMS 512; (ii) we had not been penalised by any government authority for our failure to comply with Section 25(1) of the Buildings Ordinance; (iii) we had not received any notification from the incorporated owners or the manager of the building containing the Hong Kong Leased Property prohibiting the Actual Use; and (iv) we had not received any notification from the landlord of the Hong Kong Leased Property that it would exercise the right to terminate the tenancy agreement and re-enter the Hong Kong Leased Property.</p>
	<p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant occupation permit is that IMS 512 is liable to a maximum fine of HK\$100,000 and the directors of IMS 512 are liable to a maximum fine of HK\$100,000 and maximum imprisonment of two years for a breach of Section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the “Buildings Ordinance”).</p> <p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant tenancy agreement is that the landlord of the Hong</p>	<p>We have entered into a tenancy agreement on 13 September 2017 to lease premises at Unit 1, 18/F 148 Electric Road, North Point, Hong Kong for use as a head office (the “Hong Kong Office Leased Property”).</p> <p>We have relocated the office of the Group from the Hong Kong Leased Property to the Hong Kong Office Leased Property in September 2017.</p> <p>After we relocated our office from the Hong Kong Leased Property, the Hong Kong Leased Property is currently using as a workshop and warehouse where only 14-15 employees belonging to the quality assurance</p>	

Non-compliance incident	Reason for non-compliance	Potential legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
		<p>Kong Leased Property is entitled to re-enter the Hong Kong Leased Property and the tenancy agreement shall absolutely be determined.</p> <p>As (i) based on the view of the Legal Counsel that the likelihood of maximum penalty and/or imprisonment being imposed for our failure to comply with Section 25(1) of the Buildings Ordinance is remote, having taking into account that the Lands Department may be more concerned with the misuse of property which affects the members of the public rather than the misuse of the same as an office, and that the Company was unaware of any prosecution proceedings against them in this respect, and (ii) each of the Controlling Shareholders have jointly and severally undertaken to indemnify us regarding the direct losses and damages that we may suffer as a result of the breach of the permitted use of the Hong Kong Leased Property, no provision has been made in the financial statements of our Group for the potential penalties and fines for the non-compliance.</p>	<p>and engineering department and the research and development department which relate to the workshop functions, or the material department which relate to the warehouse functions of the Group, will work.</p> <p>Based on the view of the Legal Counsel, our Directors are of the view that upon resuming the pure workshop functions of the Hong Kong Office Leased Property, the use of such property as a workshop has complied with the permitted industrial use of the property. Consequently, there is no further breach of Section 25 of the Buildings Ordinance, the relevant government lease or the relevant deed of mutual covenant.</p> <p>Based on the view of the Legal Counsel, our Directors are of the view that the likelihood of maximum penalty and/or imprisonment being imposed for our failure to comply with Section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) is remote and the likelihood of a term of immediate imprisonment being handed down on a Director is low.</p> <p>To prevent recurrence of similar non-compliance, our Directors will obtain legal advice before entering into any tenancy agreement.</p>
<p><i>Insufficient employees' compensation insurance coverage</i></p> <p>MIS Technology Consultants failed to maintain sufficient insurance coverage for a certain time in respect of the actual number of employees to be covered, with a lack of insurance coverage for 21 employees, in contravention of section 40(1) of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "ECO").</p>	<p>The non-compliance was due to inadvertent oversight on part of our Group's administration and human resources staff responsible for the renewal of the insurance policy, and mistakenly renewed such policy on the same basis every year without updating the list of employees.</p> <p>The terms of the relevant insurance policy was expressed to cover a fixed number of employees while there was a fluctuation of the number of employees during the period of insurance coverage. Due to the lack of</p>	<p>Under Section 40(1) of the ECO, the maximum penalty for the employer is a fine of HK\$100,000 and to imprisonment for one year on summary conviction or a fine of HK\$100,000 and to imprisonment for two years on conviction on indictment. Based on the view of the Legal Counsel, taking into account that no investigation proceedings, to the knowledge of the Company, have been launched by the Labour Department against it, the likelihood of maximum penalty and/or imprisonment being imposed for our failure</p>	<p>MIS Technology Consultants subsequently reviewed their current employee number and insurance policy, and purchased from an insurance company for an increase in the number of employees insured effective from June 2017.</p> <p>To prevent recurrence of similar non-compliance, regular training sessions will be provided to the human resources manager. Our Directors will also closely monitor our compliance with the ECO, in particular and conducting a quarterly review of such</p>

Non-compliance incident	Reason for non-compliance	Potential legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
	understanding of the relevant insurance policy by the staff that the Group should notify the insurance company whenever the number of employees exceeds the expressed fixed number covered by the insurance policy.	to comply with Section 40(1) of the ECO is remote.	insurance policy to ensure adequate coverage for our employees.

Save as disclosed above, our Directors confirm that, we had complied with the applicable laws and regulations in material respects in Hong Kong and the PRC (being the principal jurisdictions in which we operate) during the Track Record Period and up to the Latest Practicable Date and did not receive any notices for any fines or penalties for any non-compliance that is material.

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules having considered the fact that (i) we have taken various internal control measures to avoid recurrence of the non-compliance incident, as set out in the paragraph headed “— Internal Control” in this section; (ii) no additional material non-compliance incident has taken place since these measures are taken; and (iii) the above non-compliance incident was unintentional, did not involve any fraudulent act on the part of our executive Directors and did not raise any question as to the integrity of our executive Directors.

Furthermore, our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly from or on the basis of or in connection with the legal proceedings and non-compliance matters by any member of our Group on or before the Listing Date. Please refer to the paragraph headed “E. Other Information — 1. Tax and other Indemnity” in Appendix IV to this Prospectus for details of the Deed of Indemnity.

Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to such non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider that the impact of such non-compliance matters would be immaterial to our Group’s operation and financial positions.

No provision was made in the financial statements of our Group in respect of the aforementioned non-compliances as our Directors have taken into consideration the following: (i) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notices for any fine or penalties in relation to the above non-compliances; (ii) even if there is any prosecution, the actual amount of penalty cannot be estimated with reasonable accuracy and the potential maximum penalties of the abovementioned non-compliance incidents are immaterial; (iii) as advised by the Legal Counsel, the likelihood of our Group or our officers being prosecuted, fined or penalised as a result of the non-compliance incidents is small; and (iv) our Controlling Shareholders shall indemnify our Group pursuant to the Deed of Indemnity.

Material Licences and Qualification

As at the Latest Practicable Date, there were no particular licencing or registration requirements for the provision of LED lighting products and services pertaining to our four business segments (excluding any production of LED lighting fixtures and installation and construction works which are outsourced to our suppliers and subcontractors, respectively) in Hong Kong and the PRC.

Legal Proceedings

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim and no litigation, arbitration or claim was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our business, results of operations or financial condition.

INTERNAL CONTROL

In order to ensure future compliance with the applicable laws and regulations and related policies in different operational aspects as well as monitor our risk exposure, we have adopted different internal guidelines and written internal control policies and procedures. We have also adopted the following measures to ensure on-going compliance:

- (i) we have engaged ZHONGHUI ANDA Risk Services Limited, an independent internal control adviser to conduct an internal control review in connection with our internal control;
- (ii) we will review all lease agreements by our Board, our company secretary and external legal advisers before entering into or varying the terms of any lease agreement. Our Directors will be responsible for ensuring that the use of all leased properties complies with the relevant laws and regulations based on the legal advice obtained from external legal advisers;
- (iii) all management and staff of our Group will be required to report to and/or notify our Directors, the compliance officer or the legal advisers of our Group promptly of any non-compliance or potential non-compliance events;
- (iv) our Directors have attended training conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (v) we have appointed Kingsway Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines and will engage external counsel and other advisers when necessary; and
- (vi) we will continuously monitor and improve our management procedures to ensure that effective operation of those internal controls are in line with the growth of our business and good corporate governance practice.