You should read this section in conjunction with our consolidated financial information including the notes thereto, as set forth in the Accountants' Report in Appendix I to this Prospectus. The Accountants' Report has been prepared on the basis set out in Appendix I to this Prospectus and in accordance with our accounting policies that are in conformity with HKFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, some of which are beyond our control. Factors that could cause or contribute to such differences include those described in the section entitled "Risk Factors" and elsewhere in this Prospectus.

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, 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.

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.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 February 2017 and became the ultimate holding company of our Group on 23 May 2017 subsequent to our Reorganisation in preparation for the Listing. See the section headed ''History Reorganisation, and Corporate Structure — Reorganisation'' in this Prospectus for further information about the Reorganisation.

The Reorganisation involved the combination of a number of entities engaged in the LED lighting business that are collectively controlled by the Controlling Shareholders. Immediately prior to and after the Reorganisation, the listing business is held by Pangaea and its subsidiaries. Pursuant to the Reorganisation, the listing business is transferred to and held by the Company. The Company and MISG Investment have not been involved in any other business prior to the Reorganisation. The share transfers or swap have no substance and do not form a business combination. The Reorganisation is merely a reorganisation of the listing business with no change in management of such business and the ultimate owners of the listing business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the listing business and, for the purpose of this report, the financial information has been prepared and presented as a continuation of the consolidated financial statements of the companies now comprising the Group, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the listing business under the consolidated financial statements of the companies now comprising the Group for all periods presented.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of our Group for each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017 have been prepared using the historical financial information of the companies now comprising our Group as if the current group structure had been in existence throughout each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017. The consolidated statements of financial position of our Group as at 31 March 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group at these dates, as if the current group structure had been in existence as at these dates. All significant intra-group transactions and balances have been eliminated on combination.

The financial information is presented in Hong Kong dollars, which is also the functional currency of our Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in our Group maintains its books and records in its own functional currency.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set forth below.

Level of investment in LED lighting decorations in respect of luxury retail stores

The majority of our revenue was derived from sales of LED lighting fixtures or integrated LED lighting solution services for luxury retail brands. Our business therefore depends to a large extent on the level of investment in LED lighting decorations in respect of luxury retail stores. In the event that the LED lighting decoration expenditures are substantially reduced by such luxury retail brands as a result of an economic downturn, our business, financial condition and results of operations, our profitability and future growth in revenue may be adversely affected.

Pricing of our products and services

The price that we quote for our products and services is generally based on our estimated costs plus a mark-up margin. In order to compete with our competitors effectively, we need to remain competitive in prices we quote while at the same time maintaining the quality of our products and services as well as our profitability. We aim to strike a balance between remaining competitive and avoiding lowering prices to the extent that it may have a material adverse impact on our profitability. By keeping our costs at a manageable level, we seek to price our products and services at a competitive level whilst at the same time continue to maintain the quality of our services and our profitability.

Changes in our costs for components

Our cost of components represent a significant portion of our direct costs. The cost for LED chips accounted for a majority of our components costs. During the Track Record Period, the price of LED chips largely remained constant. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, our components costs amounted to approximately HK$12.9 million, HK$22.6 million and HK$7.9 million, respectively, and accounted for approximately 67.9%, 79.1% and 86.8%, respectively, of our direct costs. See "Business — Procurement". Our ability to control and manage our components cost and subcontracting cost will enhance our profitability. In addition, our contract price is based on our estimated costs (which mainly include components costs) plus a mark-up margin but the actual components costs will not be determined until we have confirmed our quotation with our suppliers. Any fluctuations in the components during this period will affect our profitability.

Our ability to maintain customer relationships and obtain new customer orders

Our contracts are awarded on a project basis and are not recurring in nature. Therefore, our future business depends on our ability to maintain customer relationship and obtain new customer orders. In addition, we have, in the past, relied on a number of end-user brands. If we fail to maintain our relationships with our major customers and cannot secure alternative customer orders at commercially reasonable prices on a timely basis, or at all, our business, financial condition and results of operations may be adversely affected.

Market competition

The LED lighting solutions is highly fragmented and competitive in Hong Kong, Asia Pacific and the globe. We compete with companies of varying size, financial strength and availability of resources. Due to the growth in demand for LED lighting products and services, we expect the number of competitors entering this industry to increase in the next few years, which may be our existing customers or suppliers. Some of our current or potential competitors may have a longer operating history, stronger brand recognition, greater economies of scale, more established customer relationships, greater financial and other resources, a larger customer base, better access to components and better knowledge of target markets. We expect this competitive environment to continue in the foreseeable future.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of our financial position and results of operations as included in this Prospectus is based on the consolidated financial statements prepared in accordance with the significant accounting policies set forth in Note 2 in the Accountants' Report set out in Appendix I to this Prospectus, which conform with HKFRSs. Accounting methods, assumptions and estimates that underly the preparation of a company's financial statements affect its financial position and results of operations reported. Such assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. Results may differ under different assumptions or conditions.

The application of critical accounting judgment and key sources of estimation uncertainty affect the reported results. Any changes in conditions and assumptions are sensitive to our consolidated financial statements. We believe that the following areas involve the critical accounting judgment and estimate used in the preparation of its consolidated financial statements.

Construction contract revenue recognition

Our management recognises the amount of construction contract revenue and related receivables based on our best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates, including the assessment of the profitability of on-going construction contracts. In particular, costs to complete and contract profitability for more complex contracts are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the relevant periods, which may affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Impairment of trade and other receivables

Our management estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 2.4(ii) to our Accountants' Report. The management makes estimates based on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs may be higher than estimated.

Income tax and deferred taxation

Significant judgement is required in determining whether or not we are subject to income taxes in the jurisdictions we operate. Transactions and calculations may exist for which the ultimate tax determination is uncertain during the ordinary course of business. Our management has recognised income tax and deferred liabilities at the end of each of the reporting period based on their best estimate. Where the final income tax liabilities as determined by the tax authorities are different from the estimate, such differences in income taxes or deferred tax, if any, will need to be recognised in the period in which the determination is made.

Warranty provisions

As disclosed in Note 20(c) to the Accountants' Report, our management makes provision for warrants for our Integrated LED lighting solution services taking into account our historical claims. As we are continually improving our product quality, the recent claim experience may not be indicative of the extent of future claims that we will need to settle in respect of past sales. Any increase or decrease in provision would affect our profit or loss in future years.

RESULTS OF OPERATIONS

The following table sets forth selected financial data from our consolidated statements of profit or loss and other comprehensive income for the periods indicated, details of which are set out in the Accountants' Report in Appendix I to this Prospectus.

	Year ended 31 March		**Four months ended 31 July**	
	2016	**2017**	**2016**	**2017**
	(HK$'000)		*(HK$'000)*	
			(unaudited)	
Revenue	42,126	67,443	16,605	18,515
Direct costs	(18,935)	(28,560)	(5,993)	(9,089)
Gross profit	23,191	38,883	10,612	9,426
Other income	75	358	203	10
Other gains and losses	195	1,448	(1)	22
Administrative expenses	(15,720)	(15,711)	(4,786)	(5,422)
Finance costs	–	–	–	(32)
Listing expenses	–	(4,123)	–	(6,352)
Profit/(loss) before tax	7,741	20,855	6,028	(2,348)
Income tax expenses	(1,267)	(4,428)	(934)	(1,121)
Profit/(loss) for the year	6,474	16,427	5,094	(3,469)
Other comprehensive income	–	(85)	1	124
Total comprehensive income for the year	6,474	16,342	5,095	(3,345)

DESCRIPTION OF KEY ITEMS FOR THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We primarily generate our revenue from sales of LED lighting fixtures, integrated LED lighting solution services, LED lighting system consultation and maintenance services and sales of visual-audio systems. We generated revenue of HK$42.1 million, HK$67.4 million, HK$16.6 million and HK$18.5 million for the years ended 31 March 2016 and 2017, the four months ended 31 July 2016 and 2017, respectively. The following table sets forth our revenue by business segment 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$'000)* (unaudited)	*% of total*	*(HK$'000)*	*% of total*
Sales of LED lighting fixtures	23,345	55.4	51,037	75.7	10,914	65.7	18,257	98.6
Integrated LED lighting solution services	12,836	30.5	10,583	15.7	4,194	25.3	–	–
LED lighting system consultation and maintenance services	1,970	4.7	1,388	2.0	472	2.8	258	1.4
Sales of visual-audio systems	3,975	9.4	4,435	6.6	1,025	6.2	–	–
Total	42,126	100.0	67,443	100.0	16,605	100.0	18,515	100.0

The following table sets forth our revenue, by the origin of the contracting party, 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$'000)* (unaudited)	*% of total*	*(HK$'000)*	*% of total*
Hong Kong	**16,168**	**38.4**	**33,280**	**49.3**	**7,623**	**45.9**	**1,685**	**9.1**
The PRC	**42**	**0.1**	**8,799**	**13.0**	**3**	**0.0**	**6,959**	**37.5**
Other Asian countries or regions	**24,833**	**58.9**	**22,953**	**34.0**	**8,798**	**53.0**	**8,105**	**43.8**
- Korea	818	1.9	5,216	7.7	1,087	6.6	3,052	16.5
- Macau	4,949	11.7	2,547	3.8	1,577	9.5	329	1.8
- Singapore	6,511	15.5	6,569	9.7	3,735	22.5	1,584	8.5
- Taiwan	4,241	10.1	6,602	9.8	2,042	12.3	2,592	14.0
- Thailand	4,219	10.0	256	0.4	207	1.2	68	0.4
- Others(1)	4,095	9.7	1,763	2.6	150	0.9	480	2.6
Europe	**157**	**0.4**	**1,584**	**2.4**	**-**	**-**	**122**	**0.7**
Others(2)	**926**	**2.2**	**827**	**1.3**	**181**	**1.1**	**1,644**	**8.9**
	42,126	100.0	67,443	100.0	16,605	100.0	18,515	100.0

Notes:

(1) Mainly includes Cambodia, Dubai, India, Indonesia, Japan, Malaysia and Vietnam

(2) Mainly includes Australia, New Zealand and U.S.

Hong Kong

Our revenue generated in Hong Kong increased by 105.6%, from HK$16.2 million for the year ended 31 March 2016 to HK$33.3 million for the year ended 31 March 2017, as we recognised revenue of HK$11.2 million for sales of LED lighting fixtures and integrated LED lighting solution services for three end-user world-renowned luxury brands located at Canton Road in connection with their renovation. Our revenue generated in Hong Kong decreased by HK$5.9 million, from HK$7.6 million for the four months ended 2016 to HK$1.7 million for the four months ended 31 July 2017. As no revenue was generated through the provision of integrated LED lighting solution services and sales of visual-audio systems in Hong Kong for the four months ended 31 July 2017, our revenue decreased by HK$3.6 million as compared to the four months ended 31 July 2016. Our revenue further decreased by HK$1.3 million as we had completed a LED lighting solution project involving the renovation of a flagship store of our end-user luxury brand customer in the four months ended 31 July 2016, as compared to no LED lighting solution project being carried out in the four months ended 31 July 2017.

The PRC

Our revenue generated in the PRC increased substantially from HK$42,000 for the year ended 31 March 2016 to HK$8.8 million for the year ended 31 March 2017, primarily due to the commencement of business of Shenzhen Chuangheng in December 2016, leading to an increase in sales of LED lighting fixtures sold by Shenzhen Chuangheng. Our revenue generated from the PRC increased by HK$7.0 million for the four months ended 31 July 2017 as a direct result of the establishment of Shenzhen Chuangheng as a platform to enter the luxury retail market in the PRC.

Other Asian countries or regions

Our revenue generated from other Asian countries or regions remained relatively stable at HK$24.8 million and HK$23.0 million for the years ended 31 March 2016 and 2017, respectively where changes in revenue generated was mainly attributable to Korea, Macau, Taiwan, Thailand, Indonesia and Cambodia. Our revenue derived continued to remain relatively stable at approximately HK$8.8 million and HK$8.1 million for the four months ended 31 July 2016 and 2017, respectively, where changes in revenue generated was mainly attributable to Korea, Macau and Singapore. Further details of the revenue generated from the aforesaid countries and regions are set out below.

Our revenue generated from Korea increased by HK$4.4 million from HK$0.8 million for the year ended 31 March 2016 to HK$5.2 million for the year ended 31 March 2017, primarily due to the increase in number of projects by one of the world-renowned end-user luxury brand in Korea for the year ended 31 March 2017. Our revenue generated from Korea increased by HK$2.0 million, from HK$1.1 million for the four months ended 2016 to HK$3.1 million for the four months ended 31 July 2017. The increase was due to the continuous expansion and upgrading of shops in Korea of one of our Italian end-user luxury brands, leading to our engagement in six projects by such end-user luxury brand, and resulting in HK$2.8 million in aggregate of revenue recognised for the four months ended 31 July 2017, as compared to the engagement in one project by such end-user luxury brand, resulting in HK$0.9 million of revenue recognised for the four months ended 31 July 2016.

Our revenue generated from Macau decreased by HK$2.4 million from HK$4.9 million for the year ended 31 March 2016 to HK$2.5 million for the year ended 31 March 2017, primarily due to the completion of two LED lighting solution projects with a total contract sum of HK$3.3 million in Macau for the year ended 31 March 2016, while only one LED lighting solution project was awarded for the year ended 31 March 2017 with a contract sum of HK$0.8 million. Our revenue generated from Macau decreased by HK$1.3 million, from HK$1.6 million for the four months ended 2016 to HK$0.3 million for the four months ended 31 July 2017, primarily due to the completion of a LED lighting project amounting to HK$0.8 million, and completion of another project for an end-user luxury brand in Macau amounting to HK$0.7 million for the four months ended 31 July 2016.

Our revenue generated from Singapore remained stable for the year ended 31 March 2017 when compared with the year ended 31 March 2016. Our revenue generated from Singapore decreased by HK$2.1 million, from HK$3.7 million for the four months ended 31 July 2016 to HK$1.6 million for the four months ended 31 July 2017, primarily due to the completion of a LED lighting project amounting to HK$0.9 million, and completion of another project in Singapore for an end-user luxury brand amounting to HK$0.9 million for the four months ended 31 July 2016.

Our revenue generated from Taiwan increased by HK$2.4 million from HK$4.2 million for the year ended 31 March 2016 to HK$6.6 million for the year ended 31 March 2017, primarily due to being awarded three LED lighting projects in Taiwan for a luxury renowned brand of an aggregate contract sum of HK$2.3 million. Our revenue generated from Taiwan remained stable for the four months ended 31 July 2017 when compared to the four months ended 31 July 2016.

Our revenue generated from Thailand decreased by HK$3.9 million from HK$4.2 million for the year ended 31 March 2016 to HK$0.3 million for the year ended 31 March 2017, primarily due to the completion of a LED lighting project with a contract sum of HK$2.9 million for a retail store of a world-renowned end-user luxury brand in a shopping mall in Bangkok during the year ended 31 March 2016 and no further projects in Thailand have been awarded by the world-renowned end-user luxury brand for the year ended 31 March 2017. Our revenue generated from Thailand remained stable for the four months ended 31 July 2017 when compared to the four months ended 31 July 2016.

Our remaining revenue was mainly generated from Indonesia and Cambodia, where the year-on-year decrease in revenue for the year ended 31 March 2017 as compared to 2016 was primarily due to (i) the completion of one LED lighting solution project for a world-renowned end-user luxury brand in a shopping mall in Indonesia in 2016, and (ii) the completion of sales of LED lighting fixtures to a world-renowned end-user luxury brand in Cambodia in 2016. Our revenue generated from Indonesia and Cambodia remained stable for the four months ended 31 July 2017 when compared to the four months ended 31 July 2016.

Europe

Our revenue generated from Europe increased from HK$0.2 million for the year ended 31 March 2016 to HK$1.6 million for the year ended 31 March 2017, as we recognised revenue of HK$1.4 million for sales of LED lighting fixtures attributable to an Italian end-user luxury brand for six stores of such brand. We did not generate any revenue for the four months ended 31 July 2016. Our revenue generated from Europe increased by HK$122,000 for the four months ended 31 July 2017.

Others

Our revenue generated from other countries and regions remained relatively stable, at HK$0.9 million and HK$0.8 million for the years ended 31 March 2016 and 2017, respectively. Our revenue generated from other countries and regions increased by HK$1.4 million for the four months ended 31 July 2017, from HK$0.2 million for the four months ended 31 July 2016 to HK$1.6 million for the four months ended 31 July 2017. We have completed three projects in Australia with a gross revenue of HK$1.3 million for the four months ended 31 July 2017.

Revenue by End-user Luxury Brands and their Main Contractors

The following table sets forth the revenue breakdown by business segments contracted by end-user luxury brands and their main contractors during the periods indicated.

	Year ended 31 March						Four months ended 31 July					
	2016			2017			2016			2017		
	Main contractors	End-user luxury brands	Total	Main contractors	End-user luxury brands	Total	Main contractors	End-user luxury brands	Total	Main contractors	End-user luxury brands	Total
		(HK$'000)			*(HK$'000)*			*(HK$'000)* (unaudited)			*(HK$'000)*	
Sales of LED lighting fixtures	17,103	6,242	23,345	45,159	5,878	51,037	8,895	2,019	10,914	13,994	4,263	18,257
Integrated LED lighting solution services	9,749	3,087	12,836	9,824	759	10,583	3,434	760	4,194	—	—	—
LED lighting system consultation and maintenance services	1,093	877	1,970	128	1,260	1,388	44	428	472	67	191	258
Sales of visual-audio system	–	3,975	3,975	–	4,435	4,435	—	1,025	1,025	—	—	—
	27,945	14,181	42,126	55,111	12,332	67,443	12,373	4,232	16,605	14,061	4,454	18,515

Our customers are mostly end-user luxury brands and their main contractors. Occasionally the end-user luxury brand instructs their approved main contractor to place order with our Company, being an approved supplier of the end-user luxury brand. For the year ended 31 March 2016 and 2017, the revenue generated from such orders was approximately HK$2.1 million and HK$0.6 million, respectively and no revenue was generated from such orders for the four months ended 31 July 2017.

Our sales of LED lighting fixtures orders from main contractors increased sharply from HK$17.1 million for the year ended 31 March 2016 to HK$45.2 million for the year ended 31 March 2017, which was primarily due to the increased customer demand for our products and increased from HK$8.9 million for the four months ended 31 July 2016 to HK$14.0 million for the four months ended 31 July 2017, which was primarily due to the increase in customer demand for our products.

The following tables sets out breakdowns of revenue by business segment of the end-user luxury brands and Louis Vuitton, respectively, for each of the three situations where our Group is selected by (i) the main contractors from the end-user luxury brands' list of approved suppliers; (ii) the end-user luxury brands; or (iii) the main contractors at their full discretion, to provide LED lighting products and/or services for the periods indicated.

End-user luxury brands

	Sales of LED lighting fixtures	Integrated LED lighting solution services	LED lighting system consultation and maintenance services	Sales of visual audio systems	Total	
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*% of total*
For the year ended 31 March 2016						
Main contractors from the end-user luxury brands' list of approved suppliers	14,720	6,800	–	–	21,520	51.5
End-user luxury brands	6,242	5,227	877	3,975	16,321	38.7
Main contractors at their full discretion	2,383	809	1,093	–	4,285	10.2
	23,345	12,836	1,970	3,975	42,126	100.0
For the year ended 31 March 2017						
Main contractors from the end-user luxury brands' list of approved suppliers	40,726	8,589	–	–	49,315	73.1
End-user luxury brands	5,878	1,364	1,260	4,435	12,937	19.2
Main contractors at their full discretion	4,433	630	128	–	5,191	7.7
	51,037	10,583	1,388	4,435	67,443	100.0
For the four months ended 31 July 2016 (unaudited)						
Main contractors from the end-user luxury brands' list of approved suppliers	8,385	3,104	–	–	11,489	69.2
End-user luxury brands	2,019	760	428	1,025	4,232	25.5
Main contractors at their full discretion	510	330	44	–	884	5.3
	10,914	4,194	472	1,025	16,605	100.0
For the four months ended 31 July 2017						
Main contractors from the end-user luxury brands' list of approved suppliers	12,617	–	–	–	12,617	68.1
End-user luxury brands	4,263	–	191	–	4,454	24.1
Main contractors at their full discretion	1,377	–	67	–	1,444	7.8
	18,257	–	258	–	18,515	100.0

Louis Vuitton

	Sales of LED lighting fixtures	Integrated LED lighting solution services	LED lighting system consultation and maintenance services	Sales of visual audio systems	Total	
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*% of total*
For the year ended 31 March 2016						
Main contractors from the end-user luxury brands' list of approved suppliers	5,970	2,141	–	–	8,111	88.3
End-user luxury brands	936	–	134	–	1,070	11.7
Main contractors at their full discretion	–	–	–	–	–	–
	6,906	2,141	134	–	9,181	100.0
For the year ended 31 March 2017						
Main contractors from the end-user luxury brands' list of approved suppliers	27,692	4,865	–	–	32,558	96.6
End-user luxury brands	914	–	160	–	1,074	3.2
Main contractors at their full discretion	–	–	56	–	56	0.2
	28,606	4,865	216	–	33,688	100.0
For the four months ended 31 July 2016 (unaudited)						
Main contractors from the end-user luxury brands' list of approved suppliers	6,254	869	–	–	7,123	87.1
End-user luxury brands	967	–	76	–	1,043	12.8
Main contractors at their full discretion	–	–	8	–	8	0.1
	7,221	869	84	–	8,174	100.0
For the four months ended 31 July 2017						
Main contractors from the end-user luxury brands' list of approved suppliers	6,055	–	–	–	6,055	94.2
End-user luxury brands	355	–	11	–	366	5.7
Main contractors at their full discretion	–	–	8	–	8	0.1
	6,410	–	19	–	6,429	100.0

We derive a portion of our revenue based on situations (i) and (ii), from being selected by the main contractors from the end-user luxury brands' list of approved suppliers and from being selected by the end-user luxury brands, respectively. Under situation (i), the main contractors have a choice of selecting an LED lighting product or service provider within the list. Based on initial business dealings and collaborations with our main contractors and word-of-mouth within the LED lighting industry, we have fostered good working relationships with our main contractors. As a result, our revenue is generally derived from recurring business from the same main contractor after working on LED lighting projects with such main contractor in the past. Under situation (ii), the end-user luxury brands select us as the

LED lighting product or service provider due to our established working relationship with such end-user luxury brands. Such end-user luxury brands include end-user brands other than our major end-user luxury brands which include fashion brands and life-style brands. In view of the above, our Directors believe that we do not place reliance on our end-user luxury brands to generate revenue.

Direct Costs

Our direct costs primarily consist of components, staff costs, subcontracting fee and labour cost. The following table sets forth the components of our direct costs 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$'000)* (unaudited)	*% of total*	*(HK$'000)*	*% of total*
Components	**12,859**	**67.9**	**22,602**	**79.1**	**4,146**	**69.2**	**7,891**	**86.8**
- Fixture	5,992	31.6	11,781	41.2	1,926	32.1	6,148	67.7
- Dimmer and power supply	3,950	20.9	7,842	27.4	1,187	19.9	1,740	19.1
- LED chips	1,150	6.1	537	1.9	533	8.9	3	0.0
- AV systems	1,767	9.3	2,442	8.6	500	8.3	–	0.0
Staff costs	**3,840**	**20.3**	**4,092**	**14.3**	**1,112**	**18.6**	**1,039**	**11.4**
Subcontracting fee and labour cost	**1,043**	**5.5**	**931**	**3.3**	**460**	**7.7**	**73**	**0.8**
Others(1)	**1,193**	**6.3**	**935**	**3.3**	**275**	**4.5**	**86**	**1.0**
Total	18,935	100.0	28,560	100.0	5,993	100.0	9,089	100.0

Note:

(1) Includes consumables, carriage inwards and carriage outwards expense.

Staff Costs

Our direct staff costs represent staff costs which are directly related to the sales of LED lighting fixtures, integrated LED lighting solutions and LED lighting system consultation and maintenance services.

Subcontracting Fee and Labour Cost

Our subcontracting fee and labour costs represent the fees paid to our subcontractors for our installation works.

Gross Profit and Gross Profit Margin

Our gross profit margin of each individual project depends on a number of factors, including but not limited to scope of work, technical complexity and work schedule required by our customers and therefore varies from project to project. In particular, we may recorded higher gross profit margin for complicated integrated LED lighting solution projects. It is our Directors' objective to maximise gross profit margin for each project.

Please refer to the paragraph headed "— Review of Historical Results of Operations" of this section below for a discussion of the fluctuation of our Group's gross profit margin during the Track Record Period.

For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2016 and 2017, our gross profit was approximately HK$23.2 million, HK$38.9 million, HK$10.6 million and HK$9.4 million, respectively, and our gross profit margins were approximately 55.1%, 57.7%, 63.9% and 50.9%, respectively.

The following table sets out a breakdown of our gross profit and gross profit margin by business segment for the periods indicated.

	Sales of LED lighting fixtures	Integrated LED lighting solution services	LED lighting system consultation and maintenance services	Sales of visual-audio systems	Consolidated
For the year ended 31 March 2016					
Gross profit *(HK$'000)*	12,673	7,165	1,225	2,128	23,191
Gross profit margin	54.3%	55.8%	62.2%	53.5%	55.1%
For the year ended 31 March 2017					
Gross profit *(HK$'000)*	28,619	7,850	629	1,785	38,883
Gross profit margin	56.1%	74.2%	45.3%	40.2%	57.7%
For the four months ended 31 July 2016					
Gross profit *(HK$'000)* (unaudited)	7,213	2,878	211	310	10,612
Gross profit margin	66.1%	68.6%	44.7%	30.2%	63.9%
For the four months ended 31 July 2017					
Gross profit *(HK$'000)*	9,305	–	121	–	9,426
Gross profit margin	51.0%	–	46.9%	–	50.9%

Other Income

Other income primarily consists of income from sale of components, bank interest income and sundry income. For the years ended 31 March 2016 and 2017, our other income was HK$75,000 and HK$358,000, respectively. For the four months ended 31 July 2016 and 2017, our total income was HK$203,000 and HK$10,000, respectively.

Other Gains and Losses

Other gains and losses primarily include gain on disposal of property, plant and equipment, net exchange gain/loss and recovery from impairment on trade receivables. We recorded gains of HK$195,000, HK$1.4 million and HK$22,000 for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively, and a loss of HK$1,000 for the four months ended 31 July 2016.

Administrative Expenses

Administrative expenses primarily consist of salaries and allowance as well as other miscellaneous administrative expenses. The following table sets forth the breakdown of administrative expenses for the periods indicated.

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	(HK$'000)		*(HK$'000)* (unaudited)	
Salaries and allowances	9,572	10,893	3,265	3,504
Rental expense	1,605	1,724	540	559
Travelling expense	1,329	1,008	280	500
Depreciation	889	300	114	116
Auditor's remuneration	138	300	–	18
Provision for bad debt	499	133	133	101
Advertising and promotion	–	92	74	184
Others [(1)]	1,688	1,261	380	440
Total	15,720	15,711	4,786	5,422

Note:

(1) Mainly includes fax and telephone expenses, entertainment expenses, and website development costs.

Fixed Operating Costs

Our fixed operating costs primarily consist of staff cost, salaries and allowance and rental expenses. The following table sets forth our fixed operating costs for the periods indicated:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	(HK$'000)		*(HK$'000)* (unaudited)	
Direct cost				
Staff costs	3,840	4,092	1,112	1,039
Administrative expense				
Salaries and allowances	8,263	9,470	2,700	3,291
Rental expenses	1,605	1,724	540	559
Depreciation	889	300	114	116
Auditors' remuneration	138	300	–	18
Others [(1)]	871	935	325	355
Total fixed operating costs	15,606	16,821	4,791	5,378
Average monthly fixed operating costs	1,301	1,402	1,198	1,345

Note:

(1) Mainly includes legal and professional fees, fax and telephone expenses, water and electricity expenses, transportation expenses, printing and stationary expenses, and secretarial and taxation fees.

The average monthly fixed operating costs increased from HK$1.3 million for the year ended 31 March 2016 to HK$1.4 million for the year ended 31 March 2017 and increased from HK$1.2 million for the four months ended 31 July 2016 to HK$1.3 million for the four months ended 31 July 2017, primarily due to the increase in salaries and allowances in administrative expenses as our headcount increased.

Income Tax Expense

Hong Kong and the PRC

Income tax expense represents total current and deferred tax expenses. We are subject to Hong Kong profits tax and PRC enterprise income tax as our operating subsidiaries are located in Hong Kong and the PRC, respectively. The following table sets forth the breakdown of our income tax expenses for the years indicated.

	Year ended 31 March		Four months ended 31 July	
	2016	**2017**	**2016**	**2017**
	(HK$'000)		*(HK$'000)*	
			(unaudited)	
Current tax - Hong Kong profits tax				
Current year	1,339	3,341	945	267
Over-provision in respect of prior years	-	(11)	-	-
	1,339	3,330	945	267
Current tax – PRC enterprise income tax				
Tax for the year	-	1,106	-	865
	-	1,106	-	865
Deferred tax	(72)	(8)	(11)	(11)
Total	1,267	4,428	934	1,121

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits during the Track Record Period. Under the enterprise income tax law and relevant implementation regulations, the PRC enterprise income tax was calculated at 25% of the company's estimated assessable profits.

Our effective tax rates, calculated as our income tax expense for the corresponding year divided by our profit before income tax expense for the year, were 16.4%, 21.2% 15.5% and negative 47.7% for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2016 and 2017, respectively. The increase in the effective tax rates for the years ended 31 March 2016 and 2017 and four months ended 31 July 2016 and 2017 was mainly due to the increase in the profit generated from the PRC where the enterprise income tax rate is higher than that Hong Kong profits tax rate and the increase in the non-deductible expenses, such as listing expenses recognised for the year ended 31 March 2017 and four months ended 31 July 2017 which were non-deductible for tax purpose.

Overseas Countries

Our Hong Kong subsidiaries derived revenue from customers located in various places. During the Track Record Period, we generated revenue from overseas countries (excluding Hong Kong and the PRC) through our Hong Kong subsidiaries. Set out below is our assessment of the corporate income tax exposure with reference to our revenue by business segment:

Sales of LED lighting fixtures and sales of visual-audio systems

For overseas sales, revenue was derived from sales of LED lighting fixtures and sales of visual-audio systems to our overseas customers for their own installation. Our Hong Kong subsidiaries neither maintained any branches, offices, workshops, establishments, employees, agents or stocks nor conducted any business activities in any of the relevant overseas countries. Although our sales may include after-delivery maintenance and enhancement services, our overseas customers normally deliver the defective parts to our Hong Kong subsidiaries for maintenance, following which, our Hong Kong subsidiaries would return the replacement parts to the overseas customers by courier for their own installation. Accordingly, our management considers that the pure trading of goods with customers in the overseas countries does not create any permanent establishment or taxable presence in the jurisdictions where our overseas customers are located and our revenue generated from such overseas countries should not be subject to any overseas corporate income tax during the Track Record Period.

Integrated LED lighting solution services

Integrated LED lighting solution services refer to the provision of LED lighting fixtures, on-site project management and after-delivery maintenance and enhancement services with respect to the facade of the retail stores of our end-user luxury brands. During the years ended 31 March 2016 and 2017, revenue was also derived by our Hong Kong subsidiaries under this business segment from our overseas customers with their retail stores located in Indonesia, Macau, Malaysia, Singapore, Taiwan and Thailand. In respect of the projects involving retail stores located overseas, in addition to the sales of LED lighting fixtures to our overseas customers, the Hong Kong subsidiaries would engage local subcontractors to perform installation works at the retail stores and/or send its employees to the site to conduct supervision and project management work. No revenue was derived from this business segment for the four months ended 31 July 2017.

Based on the advice of our Tax Adviser, in respect of our revenue derived from overseas projects with customers' retail stores located in Indonesia, Malaysia and Thailand, the Hong Kong subsidiaries should not have any permanent establishment exposures in these countries pursuant to the double tax agreements entered into between Hong Kong and the respective countries on the basis that the Hong Kong subsidiaries' employees' visit to each country and/or the installation work undertaken by the local subcontractors, did not exceed 183 days/six months within any 12-month period. Accordingly, the Hong Kong subsidiaries should not be subject to any corporate income tax in these three countries.

In respect of our revenue derived from overseas projects with customers' retail stores located in Singapore and Taiwan, the invoice value of the installation and supervision services (after deducting the eligible cost of services) could potentially be subject to income tax in Singapore and Taiwan at the prevailing tax rate of 17% and 20%, respectively. The potential tax exposures in Singapore during the years ended 31 March 2016 and 2017 estimated by us is approximately HK$64,000. For Taiwan, our management considers that there is no income tax exposure in Taiwan during the years ended 31 March 2016 and 2017 as the cost of services exceeded the invoice value of the installation and supervision services for the relevant contracts. Given that the estimated tax liabilities of our Group are immaterial and insignificant to our overall financial position, no tax provision has been made in our financial statements during the Track Record Period.

In respect of our revenue derived from customers' retail stores located in Macau, based on the advice from our Tax Adviser, whether the Hong Kong subsidiaries would have potential tax exposure in Macau would in practice depend on whether the Macau customer claimed tax deduction on the fee payments to the Hong Kong subsidiaries. According to the present tax practice in Macau, the Macau tax authority would rarely seek to raise assessment to a non-Macau registered company but will generally disallow the deduction on fee payments by the Macau customer. Had the Macau customer claimed deduction on the payments to the Hong Kong subsidiaries, it would have requested the Hong Kong subsidiaries to obtain a tax registration in Macau. As the Hong Kong subsidiaries have not been requested by any of the Macau customers to obtain a tax registration in Macau, our management considers that the tax exposure in Macau to be remote and no tax provision has been made in our financial statements during the years ended 31 March 2016 and 2017. If the revenue derived from this business segment in respect of Macau projects were subject to complementary tax in Macau, the potential complementary tax for the years ended 31 March 2016 and 2017 estimated by our management is approximately HK$80,000 which is immaterial and insignificant to our overall financial position and our management considers the tax exposure in Macau to be remote, and accordingly, no tax provision has been made in our financial statements during the Track Record Period.

LED lighting system consultation and maintenance services

During the Track Record Period, the Hong Kong subsidiaries also derived revenue from the provision of independent LED lighting system consultation and maintenance services to customers. The consultancy services include the provision of facade lighting recommendation, and such services were mainly conducted in Hong Kong. Occasionally and on a case-by-case basis, the Hong Kong subsidiaries would send its employees to overseas countries only for a physical site visit and the duration of such visit was limited to two to three days. In respect of maintenance services, the overseas customers would deliver the defective parts to the Hong Kong subsidiaries for maintenance and the Hong Kong subsidiaries would return the replacement parts to the overseas customers by courier for their own installation. Given that all the maintenance services were rendered in Hong Kong and our employees' visit to overseas countries to provide consultation services was for a short duration, our management considers that the Hong Kong subsidiaries should not have overseas tax exposure during the Track Record Period.

In order to comply with the relevant tax laws and legal requirements in overseas countries, our Group will seek independent tax advice to ensure tax compliance and efficiency, as necessary.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Four Months Ended 31 July 2016 Compared to the Four Months Ended 31 July 2017

Revenue

Our revenue increased by HK$1.9 million, or 11.4%, from HK$16.6 million for the four months ended 31 July 2016 to HK$18.5 million for the four months ended 31 July 2017, primarily due to the increase in revenue generated from the PRC as a result of the establishment of our subsidiary, Shenzhen Chuangheng, in the PRC in September 2015 as a platform to enter the PRC market. During the four months ended 31 July 2017, HK$7.0 million was generated by Shenzhen Chuangheng.

Sales of LED lighting fixtures

Our revenue generated from sales of LED lighting fixtures increased by HK$7.3 million, or 67.0%, from HK$10.9 million for the four months ended 31 July 2016 to HK$18.2 million for the four months ended 31 July 2017, primarily due to the sales of LED lighting fixtures in the PRC upon the establishment of Shenzhen Chuangheng in the end of 2016. During the four months ending 31 July 2017, HK$7.0 million were generated by Shenzhen Chuangheng.

Integrated LED lighting solution services

No revenue was generated from integrated LED lighting solution services for the four months ended 31 July 2017, compared to revenue generated from integrated LED lighting solution services of HK$4.2 million for the four months ended 31 July 2016, primarily due to the increased awareness of environmental protection practices, which led to a shift in focus from facades to interior fixtures on the part of several major end-user luxury brands that can reduce the energy consumption of a retail store in general.

LED lighting system consultation and maintenance services

Our revenue generated from LED lighting system consultation and maintenance services decreased by approximately HK$214,000, or 45.3%, from approximately HK$472,000 for the four months ended 31 July 2016 to approximately HK$258,000 for the four months ended 31 July 2017, primarily due to the decrease in the maintenance service work undertaken during the period.

Sales of visual-audio systems

No revenue was generated from sales of visual-audio systems for the four months ended 31 July 2017, compared to revenue generated from sales of visual-audio systems of HK$1.0 million for the four months ended 31 July 2016, primarily due to the reallocation of resources to our other business segments as we diversified our business model from being primarily focused on the sales of visual-audio systems.

Direct Costs

Components

Our direct costs of components was HK$4.1 million and HK$7.9 million for the four months ended 31 July 2016 and 2017, respectively, which represented 69.2% and 86.8% of our total direct costs for the same period. The increase in the component cost was in line with increase in revenue generated for the four months ended 31 July 2017.

Staff costs

We have average staff of 12 for the four months ended 31 July 2016 and average staff of 11 for the four months ended 31 July 2017. The direct staff costs slightly decrease from approximately HK$1.1 million for the four months ended 31 July 2016 to HK$1.0 million for the four months ended 31 July 2017.

Subcontracting fee and labour cost

The subcontracting fee and labour costs decreased from approximately HK$460,000 for the four months ended 31 July 2016 to approximately HK$73,000 for the four months ended 31 July 2017, primary due to no LED lighting solution projects being undertaken for the four months ended 31 July 2017.

As a result of the above factors, our direct costs increased by HK$3.1 million, or 51.7%, from HK$6.0 million for the four months ended 31 July 2016 to HK$9.1 million for the four months ended 31 July 2017.

Gross Profit and Gross Profit Margins

The gross profit for sales of LED lighting fixtures increased by HK$2.1 million or 29.2% from HK$7.2 million for the four months ended 31 July 2016 to HK$9.3 million for the four months ended 31 July 2017, in line with the increase in revenue generated by our PRC subsidiary, Shenzhen Chuangheng. The gross profit margin for sales of LED lighting fixtures decreased, being 66.1% and 51.0% for the four months ended 31 July 2016 and 2017, respectively. As two end-user luxury brands had a number of shops which required renovation or a change in shop concept in the four months ended 31 July 2016, as we designed new custom-made LED lighting fixtures for two luxury renowned brands, we charged a higher price which boosted our revenue, and as a result, our overall gross profit margin for sales of LED lighting fixtures was 66.1% for the four months ended 31 July 2016. In the absence of such factor, the gross profit margin would have been lower for the four months ended 31 July 2017. In addition, since our revenue derived from the PRC increase significantly for the four months ended 31 July 2017, 17% of VAT was paid by us to the PRC government for the sales we made in the PRC, which further lowered our gross profit margin when compared to the year ended 31 March 2016 and 2017.

The gross profit for LED lighting system consultation and maintenance services decreased by approximately HK$90,000 or 42.7% from approximately HK$211,000 for the four months ended 31 July 2016 to approximately HK$121,000 for the four months ended 31 July 2017, primarily due to the decrease in maintenance service work undertaken during the period. The gross profit margin for LED lighting system consultation and maintenance services slightly increased, being 44.7% and 46.9% for the four months ended 31 July 2016 and 2017, respectively.

As a result of the above factors, our gross profit decreased by HK$1.2 million, or 11.3 %, from HK$10.6 million for the four months ended 31 July 2016 to HK$9.4 million for the four months ended 31 July 2017. Our gross profit margin for the four months ended 31 July 2017 was 50.9 %, which decreased compared to our gross profit margin of 63.9 % for the four months ended 31 July 2016.

Other Income

Our other income decreased from approximately HK$203,000 for the four months ended 31 July 2016 to approximately HK$10,000 for the four months ended 31 July 2017, primarily due to no sales of components for the four months ended 31 July 2017.

Other Gains and Losses

Our other gains and losses increased from a loss of approximately HK$1,000 for the four months ended 31 July 2016 to a gain of approximately HK$22,000 for the four months ended 31 July 2017, primarily due to bad debts recovered for the four months ended 31 July 2017.

Administrative Expenses

Salaries and allowance expense accounted for a significant portion of our administrative expenses, accounting for approximately 68.2% and 64.6% of our administrative expenses for the four months ended 31 July 2016 and 2017, respectively. The increase of our administrative expenses was primarily due to the increase in salaries and allowance of HK$239,000, increase in overseas travelling expense of HK$220,000, and increase in advertising and promotion expense of HK$110,000 for the four months ended 31 July 2017. The increase in salaries and allowance was primarily due to the increase in number of headcount and the increase in overseas travelling expense was primarily due to the higher frequency in visiting our customers' and end-user luxury brands' shops located in overseas countries during the initial stages of the LED lighting solution projects.

Income Tax Expense

For the four months ended 31 July 2016 and 2017, our income tax expenses were approximately HK$934,000 and approximately HK$1.1 million, respectively. The increase was primarily due to (i) our exposure to PRC income taxes as a result of our increased business in the PRC, which has a higher Enterprise Income Tax rate of 25% compared to the Hong Kong Profits tax rate of 16.5% and (ii) we incurred listing expenses of approximately HK$6.4 million during the four months ended 31 July 2017 which were non-deductible for tax purpose.

Profit (Loss) for the Period

Based on the above factors, profit for the year decreased by HK$8.6 million, or 168.6%, from a profit of HK$5.1 million for the four months ended 31 July 2016 to a loss of HK$ 3.5 million for the four months ended 31 July 2017. For the four months ended 31 July 2017 we recorded a net loss before income tax expense of HK$2.4 million, as opposed to a net profit before income tax expense of HK$6.0 million for the four months ended 31 July 2016. This was primarily due to (i) the incurrence of Listing expenses amounting to HK$6.4 million for the four months ended 31 July 2017 and; (ii) the decrease in our gross profit margin from 63.9% for the four months ended 31 July 2016 to 50.9% for the four months ended 31 July 2017 due to a decrease in the gross profit by HK$1.2 million as a result of the 17% of VAT paid by us to the PRC government for the increase in the sales we made in the PRC, as well as the absence of revenue generated from integrated LED lighting solution services whereas integrated LED lighting solution services generated a gross profit margin of approximately 68.6% for the four months ended 31 July 2016, and despite revenue having increased by HK$1.9 million when compared to the four months ended 31 July 2016. In the absence of the incurrence of such Listing expenses, the result of our Company would be the profit before tax of HK$4.0 million for the four months ended 31 July 2017.

Year Ended 31 March 2017 Compared with Year Ended 31 March 2016

Revenue

Our revenue increased by HK$25.3 million, or 60.1%, from HK$42.1 million for the year ended 31 March 2016 to HK$67.4 million for the year ended 31 March 2017, primarily due to an increase of HK$27.7 million in revenue generated from sales of LED lighting fixtures.

Sales of LED lighting fixtures

Our revenue generated from sales of LED lighting fixtures increased by HK$27.7 million, or 118.9%, from HK$23.3 million for the year ended 31 March 2016 to HK$51.0 million for the year ended 31 March 2017, primarily due to an increase in the number of orders received for LED lighting fixtures for the year ended 31 March 2017 associated with increased customer demand for our products. Such increase in demand was primarily attributable to increased awareness of environmental protection practices, which led to a shift in focus from facades to interior fixtures on the part of several major end-user luxury brands that can reduce the energy consumption of a retail store in general.

Integrated LED lighting solution services

Our revenue generated from integrated LED lighting solution services decreased by HK$2.2 million, or 17.2%, from HK$12.8 million for the year ended 31 March 2016 to HK$10.6 million for the year ended 31 March 2017, primarily due to the shift in focus from facades to interior fixtures, as noted in the paragraph above. The number of facade projects that we undertook decreased from 19 for the year ended 31 March 2016 to nine for the year ended 31 March 2017.

LED lighting system consultation and maintenance services

Our revenue generated from LED lighting system consultation and maintenance services decreased slightly by HK$0.6 million, or 30.0%, from HK$2.0 million for the year ended 31 March 2016 to HK$1.4 million for the year ended 31 March 2017, primarily due to the decreased customer demand for our stand-alone LED lighting system consultation services for the year ended 31 March 2017. Instead, our customers engaged us for provision of LED lighting fixtures.

Sales of visual-audio systems

Our revenue generated from sales of visual-audio systems increased by HK$0.4 million, or 10.0%, from HK$4.0 million for the year ended 31 March 2016 to HK$4.4 million for the year ended 31 March 2017, primarily due to a major contract in the latter year amounting to HK$3.1 million. While revenue from visual-audio systems increased for the year ended 31 March 2017, we expect the revenue contribution from visual-audio systems to continue to decline, as we diversify our business model from one primarily focused on visual-audio systems to one that is more focused on LED lighting solution services and LED lighting system consultation and maintenance services. See the section headed “Business” in this Prospectus.

Direct Costs

Components

Our direct costs of components was HK$12.9 million and HK$22.6 million for the years ended 31 March 2016 and 2017, respectively, which represented 67.9% and 79.1% of our total direct costs for the same period. The increase in the component cost was due to an increase in the components purchased associated with our business growth, especially in the sale of lighting fixtures, for the years ended 31 March 2017.

Staff costs

We have average staff of 13 for the years ended 31 March 2016 and 31 March 2017. The direct staff costs remained largely stable, from approximately HK$3.8 million for the year ended 31 March 2016 to HK$4.1 million for the year ended 31 March 2017.

Subcontracting fee and labour cost

The subcontracting fee and labour costs remained relatively stable at HK$1.0 million and HK$0.9 million for the years ended 31 March 2016 and 2017, respectively.

As a result of the above factors, our direct costs increased by HK$9.6 million, or 50.8%, from HK$18.9 million for the year ended 31 March 2016 to HK$28.5 million for the year ended 31 March 2017.

Gross Profit and Gross Profit Margins

The gross profit for sales of LED lighting fixtures increased by HK$15.9 million or 125.2% from HK$12.7 million for the year ended 31 March 2016 to HK$28.6 million for the year ended 31 March 2017, in line with the increased revenue generated from sales of LED lighting fixtures. The gross profit margin for sales of LED lighting fixtures remained relatively stable, at 54.3% and 56.1% for the years ended 31 March 2016 and 2017, respectively.

Our gross profit for integrated LED lighting solution services increased by HK$0.7 million or 9.7%, from HK$7.2 million for the year ended 31 March 2016 to HK$7.9 million for the year ended 31 March 2017, primarily due to the higher prices charged in three projects due to the larger scale of these projects, which resulted in higher gross profit as we deployed a similar amount of resources. The three projects involved the provision of sales of LED lighting fixtures and integrated LED lighting solution services for three world-renowned end-user luxury brands with shops located at Canton Road. As a result of the aforesaid reason, the gross profit margin for integrated LED lighting solution services increased from 55.8% for the year ended 31 March 2016 to 74.2% for the year ended 31 March 2017.

Our gross profit for LED lighting system consultation and maintenance services decreased by HK$0.6 million or 50.0%, from HK$1.2 million for the year ended 31 March 2016 to HK$0.6 million for the year ended 31 March 2017, primarily due to the decrease in the revenue generated from LED lighting system consultation and maintenance services for the year ended 31 March 2017. The gross profit margin for LED lighting system consultation and maintenance services decreased from 62.2% for the year ended 31 March 2016 to 45.3% for the year ended 31 March 2017, primarily due to a decrease in the number of and revenue generated from LED lighting consultation projects we completed for the year ended 31 March 2017. We generally record higher gross profit margin from LED lighting consultation services as compared with LED lighting maintenance services as we normally do not incur component cost for LED lighting consultation services.

Our gross profit for sales of visual-audio systems decreased by HK$0.3 million or 14.3%, from HK$2.1 million for the year ended 31 March 2016 to HK$1.8 million for the year ended 31 March 2017, primarily due to strategic restructuring of our business focus. Since May 2016, the Company started to applied more resources on LED lighting industry and selected projects with lower degree of installation work. As a result of the aforesaid reason, the gross profit margin decreased from 53.5% for the year ended 31 March 2016 to 40.2% for the year ended 31 March 2017.

As a result of the above factors, our gross profit increased by HK$15.7 million, or 67.7%, from HK$23.2 million for the year ended 31 March 2016 to HK$38.9 million for the year ended 31 March 2017. Our gross profit margin for the year ended 31 March 2017 was 57.7%, which increased slightly compared to a gross profit margin of 55.1% for the year ended 31 March 2016.

Other Income

Our other income increased from HK$75,000 for the year ended 31 March 2016 to HK$358,000 for the year ended 31 March 2017, primarily due to an increase in the sales of LED chips to a customer-supplier.

Other Gains and Losses

Our other gains and losses increased from HK$195,000 for the year ended 31 March 2016 to HK$1.4 million for the year ended 31 March 2017, primarily due to the increase in the gain on disposal of property, plant and equipment as we disposed of a motor vehicle for the year ended 31 March 2017.

Administrative Expenses

Salaries and allowance expense was the largest component of our administrative expenses, accounting for approximately 60.9% and 69.3% of our administrative expenses for the years ended 31 March 2016 and 2017, respectively. We have administrative staff of 17 and 20 as at 31 March 2016 and 2017, respectively, whose costs are charged to administrative expenses. The increase of our salaries and allowance was primarily due to the increase in headcounts and monthly salary of our staff on average for the year ended 31 March 2017.

As a result of the increase in the salaries and allowance for the year ended 31 March 2017 and offset by the decrease in travelling expenses and depreciation associated with our cost control measures, our administrative expenses remained relatively stable, at HK$15.7 million for the years ended 31 March 2016 and 2017.

Income Tax Expense

For the years ended 31 March 2016 and 2017, our income tax expenses were HK$1.3 million and HK$4.4 million, respectively. The increase was in line with the significant increase in our profit before tax generated in the PRC where the PRC enterprise income tax rate is higher than the profit tax rate in Hong Kong.

Profit for the Year

Based on the above factors, profit for the year increased by HK$9.9 million, or 152.3%, from HK$6.5 million for the year ended 31 March 2016 to HK$16.4 million for the year ended 31 March 2017. Our net profit margin for the years ended 31 March 2016 and 2017 was 15.4% and 24.4%, respectively. The increase in the net profit margin was primarily due to our increased sales, and our management's better cost control to keep the administrative expense at the similar level for the year ended 31 March 2017.

DISCUSSION OF KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated statements of financial position as at the dates indicated.

	As at 31 March		As at 31 July
	2016	2017	2017
	(HK$'000)		*(HK$'000)*
Non-current assets			
Property, plant and equipment	828	583	604
Deposits paid for leasehold improvement	–	–	260
	828	583	864
Current assets			
Inventories	–	573	1,069
Trade and other receivables	11,760	17,665	18,392
Tax recoverable	1,070	299	299
Cash and cash equivalents	15,938	31,755	27,513
	28,768	50,292	47,273
Current liabilities			
Amounts due to customers for contract work	605	–	–
Trade and other payables	8,796	16,438	15,210
Deferred income	293	137	193
Amounts due to directors	4,500	–	–
Dividend payable	–	20,000	20,000
Bank borrowing	–	–	1,694
Current tax liabilities	650	3,216	3,239
	14,844	39,791	40,336
Net current assets	13,924	10,501	6,937
Total assets less current liabilities	14,752	11,084	7,801
Non-current liabilities			
Deferred income	63	39	133
Other payable	193	215	194
Deferred tax liabilities	43	35	24
	299	289	351
Net assets	14,453	10,795	7,450
Total equity	14,453	10,795	7,450

Trade and Other Receivables

Our trade and other receivables consist of trade receivables, prepayments and deposits and other receivables. The following table sets out a breakdown of our trade and other receivables as at the dates indicated.

	As at 31 March		As at 31 July
	2016	2017	2017
	(HK$'000)		(HK$'000)
Trade receivables	11,236	15,499	13,801
Other receivables	31	64	168
Prepayments and deposits	493	2,102	4,683
Less: Non-current portion			
Deposits paid for leasehold improvement	–	–	(260)
Total	11,760	17,665	18,392

Trade Receivables

Our trade receivables primarily consist of outstanding amounts payable by our customers. The credit terms we offered to our customers range from 0 to 30 days after invoice date. Our business is project-based of which our trade receivable is subject to the progress and number of projects as at the reporting date. Our trade receivables net of provision on impairment increased by 38.4% from HK$11.2 million as at 31 March 2016 to HK$15.5 million as at 31 March 2017, which was in line with our revenue growth. Although our revenue for the four months ended 31 July 2017 increased, our trade receivables net of provision on impairment decreased by 11.0%, from HK$15.5 million as at 31 March 2017 to HK$13.8 million as at 31 July 2017, primarily due to a quicker rate of settlement of trade receivables from our customers in July 2017. As at the Latest Practicable Date, HK$10.3 million or 74.6% of our trade receivables as at 31 July 2017 was settled.

The creditworthiness of a customer is assessed on the basis of their payment history and ability to make repayments.

The following table sets forth trade receivables and provision made for impairment on trade receivables.

	As at 31 March		As at 31 July
	2016	2017	2017
	(HK$'000)		(HK$'000)
Trade receivables	14,278	18,674	17,059
Less: provision for impairment on trade receivables	(3,042)	(3,175)	(3,258)
Total	11,236	15,499	13,801

The following table sets forth the aging analysis of our trade receivables as at the dates indicated.

	As at 31 March		As at 31 July
	2016	2017	2017
	(HK$'000)		*(HK$'000)*
As at invoice date:			
Within one month	2,162	11,154	4,224
One to three months	1,537	1,905	1,546
Three to six months	1,523	253	6,369
More than six months but less than one year	1,521	1,044	137
More than one year	4,493	1,143	1,525
Total	11,236	15,499	13,801

The following table sets forth the aging analysis of our trade receivables that are not individually or collectively considered to be impaired.

	As at 31 March		As at 31 July
	2016	2017	2017
	(HK$'000)		*(HK$'000)*
Neither past due nor impaired	–	–	1,207
Less than one month past due	2,127	10,352	2,994
One to three months past due	986	1,812	1,413
More than three months past due but less than 12 months past due	2,623	1,205	6,154
More than one year past due	4,323	1,127	1,383
	10,059	14,496	13,151

As at 31 March 2016 and 2017 and 31 July 2017, our provision for impairment of trade receivables was HK$3.0 million, HK$3.2 million and HK$3.3 million, respectively. During the Track Record Period, we did not provide any material allowance for doubtful debts for our top five customers.

The aging debt profile of trade debtors is reviewed on a regular basis to ensure that the trade receivables balances are collectable. Our Group would assess the recoverability problem of individual clients with outstanding balance aged over 365 days. Management would consider their actual situation, such as whether they have continuity in projects, the reason of delay in settlement, the length of relationship and the liquidity of the clients. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables balance are called into doubt, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aging analysis of the trade receivables balances and any write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statements of profit or loss and other comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect the results of operations of our Group.

We did not write off any trade receivables during the Track Record Period.

The following table sets forth the turnover days of our trade receivables for the years/period indicated.

	Year ended 31 March		Four months ended 31 July
	2016	2017	2017
Trade receivables turnover days (1)	97.7	72.3	96.5

Note:

(1) Calculated based on the average of beginning and ending balance of trade receivables, net of provision on impairment as at the reporting date divided by turnover for the year/period, multiplied by the number of days in the year/period.

Our trade receivables turnover days for the year ended 31 March 2017 were fewer as compared to trade receivables turnover days for the year ended 31 March 2016. This was primarily attributable to the decrease in the number of visual-audio systems projects that we took for the year ended 31 March 2017, as visual-audio systems projects generally experience longer turnover days. Our trade receivables turnover days increased to 96.5 days for the four months ended 31 July 2017 due to the increase in trade receivables from our customers in the PRC during the period as additional time was required for obtaining tax invoices issued by the relevant government authorities for their settlement. During the Track Record Period, there was a variation between the credit terms granted to our customers and our trade receivable turnover days. Such variation was generally in line with the payment norm within our industry. In respect of our main contractors who are our customers, payment was made upon completion of substantial parts of installation and/or construction works of the project, leading to payment made later than the completion date of our projects. Thus, our trade receivable turnover days became longer than our credit terms. In respect of our end-user luxury brand customers, more time was required for the payment approval process as such payment approval was obtained from our customers' headquarters located outside of Hong Kong, which resulted in a longer trade receivable turnover days than our credit terms. In respect of our customers from the visual-audio business, payment was made after the customer had completed a trial run of the visual-audio products which requires at least one month to complete, leading to a longer trade receivable turnover days as compared to our credit terms.

Prepayments and Deposits

Prepayments and deposits primarily represented prepaid Listing expenses, the deposits or the amount we paid in advance for subcontracting payment and component costs. Prepayments and deposits increased from HK$0.5 million as at 31 March 2016 to HK$2.1 million as at 31 March 2017, primarily due to the incurrence of prepaid Listing expenses of HK$1.2 million for the year ended 31 March 2017, and further increased from HK$2.1 million as at 31 March 2017 to HK$4.7 million as at 31 July 2017, primarily due to the increase in Listing expenses paid.

Other Receivables

Other receivables primarily included an advance for travel expenses and prepaid VAT. Other receivables increased from approximately HK$31,000 as at 31 March 2016 to approximately HK$64,000 as at 31 March 2017, and further increased from approximately HK$64,000 as at 31 March 2017 to approximately HK$168,000 as at 31 July 2017, primarily due to the increase in prepaid VAT for our sales made in the PRC.

Inventories

Our inventories primarily consist of components.

We had no inventory as at 31 March 2016. We recorded inventory of HK$573,000 as at 31 March 2017, primarily due to components we held as inventory in anticipation of an increase in the number of orders during the year ended 31 March 2017. We recorded inventory of HK$1.1 million as at 31 July, 2017, primarily due to the increase in our forecasted sales in August 2017 which led to an increase in our inventory levels.

We review and monitor our inventory level on a periodic basis. During the Track Record Period, we did not write down any inventories.

The following table sets out our inventory turnover days for the years/period indicated.

	For the year ended 31 March		Four months ended 31 July
	2016	2017	2017
Inventory turnover days [(1)]	N/A[(2)]	3.7	11.0

Notes:

(1) Calculated based on the average balance of inventory divided by the direct costs for the relevant year multiplied by the number of days in the year/period. Average balance of inventory is calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

(2) Not applicable since we did not record any inventories as at 31 March 2016.

For the year ended 31 March 2017 and the four months ended 31 July 2017, our inventory turnover days were 3.7 days and 11.0 days, respectively. The increase in turnover days was primarily due to the increase in our forecasted sales in August 2017 which led to an increase in our inventory levels.

As at 30 September 2017, HK$0.8 million of the inventories as at 31 July 2017 were utilised.

Amounts Due to Directors

Amounts due to directors as at 31 March 2016 represent capital and working capital injection by Mr. Tam and Mr. Yeung, which were unsecured, interest-free and with no fixed terms of repayment. Such amounts have been fully settled in March 2017. We did not record any amounts due to directors as at 31 March 2017 and 31 July 2017.

Trade and Other Payables

Our trade and other payables primarily consists of trade payables, receipts in advance, other payables and accruals and provision of warranties. The following table sets out a breakdown of our trade and other payables as at the dates indicated.

	As at 31 March		As at 31 July
	2016	2017	2017
	(HK$'000)		*(HK$'000)*
Trade payables	7,090	11,424	6,550
Receipts in advance	387	1,204	1,955
Provision of warranties	399	451	389
Other payables and accruals	1,113	3,574	6,510
Less: Non-current portions			
Provision of warranties	(193)	(215)	(194)
Total	8,796	16,438	15,210

Trade Payables

Our trade payables due to third parties primarily consist of amounts payable to third parties for the purchase of components and other production costs and overheads. Payment terms to suppliers typically are up to 30 days. The increase in our trade payable from HK$7.1 million as at 31 March 2016 to HK$11.4 million as at 31 March 2017 was in line with our general revenue growth during the year ended 31 March 2017. Our trade payables decreased by, 42.1% from HK$11.4 million as at 31 March 2017 to HK$6.6 million as at 31 July 2017 primarily due to the settlement of our long outstanding trade payables, in particular the amounts due to our two major suppliers. As at the Latest Practicable Date, HK$3.5 million or 53.0% of our trade payables as at 31 July 2017 was settled.

The following table sets forth the aging analysis of our trade payables as at the dates indicated.

	As at 31 March		As at 31 July
	2016	2017	2017
	(HK$'000)		*(HK$'000)*
Current or less than one month	1,158	5,171	2,653
One to three months	798	593	270
Four to six months	1,044	967	2,141
Seven to 12 months	1,858	1,245	139
More than one year	2,232	3,448	1,347
Total	7,090	11,424	6,550

The outstanding trade payables aged more than one year as at 31 March 2017 mainly represented trade payables to Pacific Locus Company Limited ("**Pacific Locus**"), which had outstanding trade receivables and trade payables of approximately HK$4.1 million and HK$6.1 million respectively, and net trade payables of HK$2.0 million after offsetting. As at 31 July 2017, the outstanding trade payables aged more than over year from Pacific Locus was approximately HK$161,000 and there were no trade receivables due from Pacific Locus. Pacific Locus is both a supplier and customer of the Group. The Group's balances of trade receivables from, and trade payables to, Pacific Locus above were presented on a gross basis for analytical purposes only and were presented on a net basis in the Consolidated Statement of Financial Position of the Company. During the Track Record Period, we sought to establish a long-term business relationship with Pacific Locus and, in accordance with a letter of confirmation from Pacific Locus effective on 31 March 2015 which is a binding agreement, Pacific Locus agreed with the Group to settle trade receivable and payable balances due from and to each other on a net and an annual basis. Our Directors believe that such offsetting arrangement is a usual practice in industries which involve an original equipment manufacturer, and are entered into with a view to enhancing the operational efficiency of both parties. Due to the development of our business in sales of LED lighting fixtures, there was an increase in our product purchases from Pacific Locus and, accordingly, the trade payables of Pacific Locus increased as compared to the trade receivables of Pacific Locus as at 31 March 2016. During the year ended 31 March 2017, we have settled part of the trade payables due to Pacific Locus and trade payables of Pacific Locus has decreased accordingly as at 31 March 2017. As at the Latest Practicable Date, 35.6% of the trade payables aged over than one year as at 31 July 2017 had been fully settled.

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, and the products manufactured by such suppliers using the components purchased from us have subsequently been sold to us for sale to our customers. In accordance with Hong Kong Accounting Standard 8.10 (b)(ii), the accounting policy applied to the transactions is required to reflect the economic substance of the transactions and not merely their legal form. Accordingly, the above transactions would be treated as a single transaction based on economic substance under Hong Kong Accounting Standard 18.13. In other words, the primary responsibility for providing components to such suppliers is still maintained by the Group, while such suppliers are only acting as agents for production under the Group's instructions. Therefore, our management considers that the above transactions shall be treated as a single transaction after taking into account the commercial effect of the above transactions as required under the relevant Hong Kong Accounting Standards, and the Group shall recognise the above transactions on a net basis in the Consolidated Statements of Profit or Loss and Other Comprehensive Income and the respective account receivables and account payables on a net basis in the Consolidated Statements of Financial Position during the Track Record Period.

For further details of the above transactions, please refer to the section headed "Business — Overlap between Customers and Suppliers" in this Prospectus.

Our Directors confirm that as at the Latest Practicable Date, Pacific Locus and its subsidiaries (collectively the "**Pacific Locus Group**") were and are independent of and not connected with our Group, or any of the shareholders, Directors, members of the senior management thereof, or any of their respective associates; and the Pacific Locus Group and its director(s) and shareholder(s) did and do not hold any share capital of our Group or have any other interests in our Group. There is and was no other relationship, business or otherwise, between the Pacific Locus Group and our Group, their respective shareholders, directors, senior management or any of their respective associates, save for the relationship between Pacific Locus and our Group as disclosed in this section and the section headed "Business — Our Suppliers and Subcontractors — Top Five Largest Suppliers" in this Prospectus.

As at the Latest Practicable Date, we have settled all trade payables to Pacific Locus as at 31 March 2017. After the end of the Track Record Period and up to the Latest Practicable Date, we have not sold any components to Pacific Locus. As at the Latest Practicable Date, we had settled all trade payables due to Pacific Locus. After careful review of the previous settlement arrangement with Pacific Locus, our Directors decided to align the settlement arrangement with Pacific Locus so as to shorten the turnover days of our trade payables. In connection with such settlement arrangement, we have proposed to Pacific Locus that the trade payables would be settled once a month.

The following table sets forth the turnover days of our trade payables for the years/period indicated.

	Year ended 31 March		Four months ended 31 July
	2016	2017	2017
Trade payables turnover days [(1)]	124.9	118.3	120.6

Note:

(1) Calculated based on the average of beginning and ending balance of trade payables, divided by direct costs for the year/period, multiplied by the number of days in the year/period.

Our trade payables turnover days remained relatively stable, at 124.9 days, 118.3 days and 120.6 days for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively.

Receipts in Advance

Receipts in advance represent trade deposits we received from customers in connection with the contracted works or sales, which are expected to be recognised as our revenue within one year from the reporting date. Receipts in advance increased from HK$387,000 as at 31 March 2016 to HK$1.2 million as at 31 March 2017, which was in line with the revenue growth during the year ended 31 March 2017.

Receipts in advance further increased to HK$2.0 million as at 31 July 2017, primarily due to the increase in the number of projects on hand as at 31 July 2017 .

Amounts Due to Customers for Contract Work

Our revenue from integrated LED lighting solution services is recognised on the percentage of completion method, measured with reference to the value of work done during the year or period. There is normally a timing difference between the completion of site work and billing by our customers. Our customers sometimes may make the install payment more than the value of work we have done. Under such circumstance, we may record amounts due to customers, which represent payments we have received less the actual value of work we have done.

Amounts due to customers for contract work are generally affected by the value of work done and the timing of receipt of payment. Therefore, our Directors consider that this is common those balances vary from time to time.

We recorded amounts due to customers for contract work of HK$0.6 million as at 31 March 2016 arising from a facade project in other Asian countries or regions. We did not record any amounts due to customers for contract work as at 31 March 2017 and 31 July 2017.

We generally receive payments from our customers of integrated LED lighting solution services in three instalments, 50% of the contract sum as a deposit once we receive the signed quotation from the customer, 40% to 50% of the contract sum by a second billing once we deliver the products to the customer and up to 10% of the contract sum by a final billing once we complete the installation of the LED lighting solution.

Other Payables and Accruals

Other payables and accruals primarily represented accrued staff cost, provision for sales rebates, accrued PRC VAT, accrued audit fee and accrued professional fee. As at 31 March 2016, 31 March 2017 and 31 July 2017, other payables and accruals were approximately HK$1.1 million, HK$3.6 million and HK$6.5 million, respectively. The increase in other payables and accruals as at 31 March 2017 was mainly due to an increase of HK$1.2 million in the commission payable to our staff for the year ended 31 March 2017, increase in provision for sales rebates of HK$0.5 million in line with our increase in revenue, and an increase of HK$0.7 million in the accrued PRC VAT for the year ended 31 March 2017 associated with our increased revenue generated from the PRC. The increase in other payables and accruals as at 31 July 2017 was mainly due to the accrual of Listing expenses of approximately HK$3.6 million.

Provision for Warranties

We make provision based on warrants for our integrated LED lighting solution services taking into account our historical claims. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, we made provision of HK$399,000, HK$451,000 and HK$389,000, respectively, and utilised HK$169,000, HK$19,000 and HK$31,000, respectively, on claims for our historical sales. The following table sets forth details of the provision for warranties we made as at the dates indicated.

	As at 31 March		As at 31 July
	2016	2017	2017
	(HK$'000)		*(HK$'000)*
At the beginning of the year/period	424	399	451
Provision for the year/period	200	245	-
Less: reversal of unused amount	(56)	(174)	(31)
Amount charged to profit or loss for the year/period	144	71	(31)
Less: amount utilised	(169)	(19)	(31)
At the end of the year/period	399	451	389
Categorises as:			
Non-current liabilities	193	215	194
Current liabilities	206	236	195
	399	451	389

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our Group had met its liquidity requirements principally through a combination of internal resources and amounts due to directors. Following the completion of the Share Offer, our Group expects its capital expenditure and working capital requirement to be funded principally through internal resources, and net proceeds from the Share Offer. Our Directors believe that in the long term, our Group's operations will be funded by internal resources and, if necessary, additional equity financing or bank borrowings.

Cash Flows Analysis

The following table sets forth our selected cash flow data for the periods indicated.

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	(HK$'000)		*(HK$'000)*	
			(unaudited)	
Net cash from/(used in) operating activities	8,923	19,384	10,145	(5,559)
Net cash (used in)/from investing activities	(27)	996	(7,106)	(395)
Net cash (used in)/from financing activities	(669)	(4,500)	97	1,662
Net increase/(decrease) in cash and cash equivalents	8,227	15,880	3,136	(4,292)
Effect on exchange rate changes	-	(63)	1	50
Cash and cash equivalent at the beginning of the year/period	7,711	15,938	15,938	31,755
Cash and cash equivalents at the end of the year/period	15,938	31,755	19,075	27,513

Net Cash From/(Used in) Operating Activities

We derive our cash inflow from operating activities primarily from the receipt of payment from our product sales and services, and our cash outflow from operating activities primarily includes purchase of components and staff costs. Net cash generated from operating activities primarily consists of profit before income tax expense, adjusted for depreciation of property, plant and equipment, gain on disposal of property, plant and equipment and the effect of changes in working capital items.

For the four months ended 31 July 2017, we had net cash used in operating activities of HK$5.6 million. This amount represented the operating loss before working capital changes of HK$2.1 million, adjusted for net working capital outflow of HK$2.3 million and net taxation paid of HK$1.1 million. The net working capital outflow was primarily attributable to decrease in trade and other payables of HK$1.4 million and increase in trade and other receivables of HK$0.6 million.

For the year ended 31 March 2017, we had net cash from operating activities of HK$19.4 million. This amount represented the operating profit before working capital changes of HK$20.1 million, adjusted for net working capital inflow of HK$0.4 million and net taxation paid of HK$1.1 million. The net working capital outflow was primarily attributable to the increase in trade and other payables of HK$8.0 million and partially offset by the increase in our trade and other receivables of HK$6.2 million.

For the year ended 31 March 2016, we had net cash from operating activities of HK$8.9 million. This amount represented the operating profit before working capital changes of HK$9.0 million, adjusted for net working capital inflow of HK$1.5 million and net taxation paid of HK$1.6 million. The net working capital inflow was primarily attributable to the increase in trade and other payables of HK$1.1 million and the increase in amounts due to customers for contract work of HK$0.5 million, which was partially offset by the increase in trade and other receivables of HK$0.5 million.

Net Cash (Used in)/From Investing Activities

Cash flow (used in)/from investing activities primarily consists of cash used in or from the purchase or sales of property, plant and equipment.

For the four months ended 31 July 2017, we had net cash used in investing activities of approximately HK$395,000, primarily attributable to purchases of office equipment and deposits paid for leasehold improvement during the period.

For the year ended 31 March 2017, we had net cash generated from investing activities of approximately HK$1.0 million. This amount primarily represented proceeds from sale of property, plant and equipment of approximately HK$1.1 million generated from the disposal of a motor vehicle, partially offset by the purchase of office equipment of approximately HK$55,000.

For the year ended 31 March 2016, we had net cash used in investing activities of approximately HK$27,000, attributable to the purchase of office equipment during the year.

Net Cash (Used in)/From Financing Activities

Our cash flow (used in)/from financing activities primarily comprised increase or decrease in amounts due to directors and dividend paid.

For the four months ended 31 July 2017, net cash from financing activities was HK$1.7 million, primarily attributable to the drawdown of bank borrowings amounted to HK$1.9 million during the period.

For the year ended 31 March 2017, net cash used in financing activities was HK$4.5 million, primarily attributable to a settlement due to directors. For the year ended 31 March 2016, net cash used in financing activities was HK$669,000, primarily attributable to the payment of dividends to directors of HK$1.6 million, partially offset by an injection of working capital from our directors of HK$0.9 million.

NET CURRENT ASSETS

The following table sets forth the breakdown of our current assets as at the dates indicated.

	As at 31 March		As at 31 July	As at 30 November
	2016	2017	2017	2017
	(HK$'000)		*(HK$'000)*	*(HK$'000)* (unaudited)
Current assets				
Inventories	–	573	1,069	929
Trade and other receivables	11,760	17,665	18,392	13,876
Tax recoverable	1,070	299	299	299
Cash and cash equivalents	15,938	31,755	27,513	18,257
	28,768	50,292	47,273	33,361
Current liabilities				
Amounts due to customers for contract work	605	–	–	–
Trade and other payables	8,796	16,438	15,210	11,703
Bank borrowing	–	–	1,694	–
Deferred income	293	137	193	246
Amounts due to directors	4,500	–	–	–
Dividend payable	–	20,000	20,000	5,000
Current tax liabilities	650	3,216	3,239	2,398
	14,844	39,791	40,336	19,347
Net current assets	13,924	10,501	6,937	14,014

As at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017, we had net current assets of HK$13.9 million, HK$10.5 million, HK$6.9 million and HK$14.0 million, respectively.

The decrease in net current assets from 31 March 2016 to 31 March 2017 was primarily due to the declaration of an interim dividend of HK$20.0 million partially offset by an increase of HK$15.9 million in cash and cash equivalents as a result of profit generated from our operating activities.

The decrease in net current assets from 31 March 2017 to 31 July 2017 was primarily due to the decrease in cash and cash equivalents as a result of payment of Listing expenses during the period.

The increase in net current assets from 31 July 2017 to 30 November 2017 was primarily due to profit generated from our operations which led to an increase in our net current assets and trade and other receivables, despite having settled the dividend payable of HK$15.0 million.

Capital Expenditures

Our capital expenditures primarily include the procurement of office equipment. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, we incurred capital expenditures of HK$27,000, HK$55,000 and HK$137,000, respectively.

We expect to incur HK$3.3 million of capital expenditures for the year ending 31 March 2018 and we expect to fund such capital expenditures with cash flows generated by our operations, operational loans from banks and the net proceeds of the Share Offer.

CAPITAL AND OPERATING LEASE COMMITMENTS

Capital Commitments

During the Track Record Period and up to the Latest Practicable Date, we did not have any capital commitments.

Operating Lease Commitments

The following table sets forth our future minimum lease payments under non-cancellable operating leases as at the dates indicated.

	As at 31 March		As at 31 July	As at 30 November
	2016	2017	2017	2017
	(HK$'000)		*(HK$'000)*	*(HK$'000)* (unaudited)
Amounts payable:				
Within one year	1,594	806	856	2,383
In the second to fifth years inclusive	723	18	619	1,905
	2,317	824	1,475	4,288

We lease office premises and office equipment under non-cancellable operating lease agreements ranging from two to five years. The future minimum lease payments decreased from 31 March 2016 to 31 March 2017 as our tenancy agreement with respect to our workshop lease expired in September 2017 and increased from 31 March 2017 to 31 July 2017, primarily due to the new lease of an office as our headquarters in Hong Kong in July 2017.

Working Capital

During the Track Record Period, we met our working capital needs mainly from our cash and cash equivalents on hand and cash generated from our operation. Taking into account the financial resources available to our Group, including our existing cash and cash equivalents, cash flows from operating activities and the estimated net proceeds from the Share Offer, our Directors, after due inquiry, believe that we have sufficient available working capital for our present requirements for the next 12 months from the date of this Prospectus.

INDEBTEDNESS

We obtained short-term financing from a bank in the form of a banking facility during the Track Record Period. As at 31 March 2016 and 2017, other than the amounts due to directors disclosed above, we did not have any other indebtedness. As at 31 July 2017, our Group had a bank loan of approximately HK$1.7 million, with flat interest rate of 0.3% per month, and which was secured by the unlimited personal guarantee of the executive Directors. Our bank loan has been fully repaid in mid-September 2017 and the executive Directors have been released from the unlimited personal guarantee upon full repayment of the bank loan. We did not obtain further banking facilities upon the repayment of our bank loan. As at 30 November 2017, for the purpose of the indebtedness statement, our Group did not have any indebtedness. As at the Latest Practicable Date, we did not have any unutilised banking facilities.

Save for the aforesaid or disclosed herein, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities as at

30 November 2017. Our Directors also confirmed that we did not have any further plan for material debt financing as at the Latest Practicable Date. Since 30 November 2017, there has been no material adverse change in our indebtedness.

DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of financial risks which comprise credit risk, liquidity risk, interest rate risk and currency risk. For details of our risk exposures, see Note 27 to the Accountants' Report included in Appendix I to this Prospectus.

Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. Our financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for our Shareholders. As the Directors believe our exposure to financial risk to be kept at a minimum level, we do not hold or issue derivative financial instruments either for hedging or trading purposes.

KEY FINANCIAL RATIOS

The following table sets forth selected key financial ratios as at the dates or for the periods indicated.

	As at or for the year ended 31 March		As at or for the four months ended 31 July
	2016	**2017**	**2017**
Profitability ratios			
Gross profit margin[(1)]	55.1%	57.7%	50.9%
Net profit margin[(2)]	15.4%	24.4%	Net loss
Return on equity[(3)]	44.8%	152.2%	Net loss
Return on total assets[(4)]	21.9%	32.3%	Net loss
Liquidity ratios			
Current ratio[(5)]	1.9	1.3	1.2
Quick ratio[(6)]	1.9	1.2	1.1
Capital adequacy ratio			
Gearing ratio[(7)]	N/A	N/A	22.7%

Notes:

(1) The gross profit margin is calculated by dividing the gross profit/loss by the revenue for the respective period multiplied by 100%.

(2) The net profit margin is calculated by dividing the profit/loss for the year/period divided by the revenue for the respective period multiplied by 100%.

(3) The return on equity equals the profit/loss for the year/period divided by the total equity as at the end of the respective period multiplied by 100%.

(4) The return on total assets equals to profit/loss for the year/period divided by the total assets as at the end of the respective period multiplied by 100%.

(5) The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective period.

(6) The quick ratio is calculated by dividing current assets minus inventories by current liabilities as at the end of the respective period.

(7) The gearing ratio is calculated by dividing total interest-bearing bank and other borrowings by total equity as at the end of the respective period multiplied by 100%.

Please refer to "— Review of Historical Results of Operations" in this section for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Return on Equity

Our return on equity increased from 44.8% for the year ended 31 March 2016 to 152.2% for the year ended 31 March 2017, primarily due to the increase in our profit and decrease in equity as a result of the declaration of interim dividends in the amount of approximately HK$20 million for the year ended 31 March 2017. If our Listing expenses of HK$6.4 million were excluded from the loss for the period, our return on equity would have been approximately 38.7% for the four months ended 31 July 2017. The decrease of our return on equity for the four months ended 31 July 2017 was primarily due to the decrease in our net profit during the period.

Return on Total Assets

Our return on total assets increased from 21.9% for the year ended 31 March 2016 to 32.3% for the year ended 31 March 2017, primarily due to the increase in our profit for the year ended 31 March 2017. If our Listing expenses of HK$6.4 million were excluded from the loss for the period, our return on total assets would have been approximately 6.0% for the four months ended 31 July 2017. The decrease of our return on total assets for the four months ended 31 July 2017 was primarily due to the decrease in our net profit during the period.

Current Ratio and Quick Ratio

Our current ratio decreased from 1.9 as at 31 March 2016 to 1.3 as at 31 March 2017, primarily due to the declaration of interim dividend for the year ended 31 March 2017 and slightly decreased to 1.2 as at 31 July 2017. Our quick ratio decreased from 1.9 as at 31 March 2016 to 1.2 as at 31 March 2017 and to 1.1 as at 31 July 2017 for the same reason above.

Gearing Ratio

Gearing ratio is not applicable to our Group for the years ended 31 March 2016 and 2017 as we did not have any interest-bearing bank and other borrowings. Our gearing ratio increased to 22.7% as at 31 July 2017 as we had drawn down a bank borrowing during the period.

RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. During the Track Record Period, we did not have any significant related party transaction.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, except as set forth above under "— Capital and Operating Lease Commitments — Operating Lease Commitments" in this section we had not entered into any off-balance sheet commitments and arrangements.

FINANCIAL INSTRUMENT

As at the Latest Practicable Date, we had not enter into any financial instruments for hedging purposes.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

LISTING EXPENSES

Assuming the Offer Size Adjustment Option is not exercised and assuming the Offer Price of HK$0.30 per Offer Share, being the mid-point of the indicative Offer Price, the total expenses for Listing are estimated to be approximately HK$28.1 million, of which approximately HK$4.1 million and HK$6.4 million was recognised as Listing expenses in our consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2017 and for the four months ended 31 July 2017. We expect to incur additional Listing expenses of approximately HK$6.5 million which will be recognised as Listing expenses for the year ending 31 March 2018. The balance of approximately HK$11.1 million is expected to be recognised as a deduction in equity upon Listing.

In view of the above, our Directors are of the view that the one-off Listing expenses, which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the year ending 31 March 2018. The aforesaid amount of Listing expenses is a current estimate for reference only and the final amount to be recognised in our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2018 will be subject to adjustments based on audit and changes in variables and assumptions.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this Prospectus for the unaudited pro forma adjusted net tangible assets.

DIVIDEND

We declared an interim dividend of HK$20.0 million during the Track Record Period, of which HK$15.0 million was settled in August 2017 and November 2017, and the remaining balance of HK$5.0 million will be settled before Listing.

Our Directors may declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the Shareholders' approval. Our Directors consider that dividends to be declared and paid in future by our Group will depend on a number of factors including, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, prevailing economic climate, the amount of distributable profits based on HKFRS, the Memorandum and Articles of Association, the Cayman Companies Law, applicable laws and regulations and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends will be declared or distributed in any year subsequent to the Listing.

As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

DISTRIBUTABLE RESERVES

As at 31 July 2017, our Company had no distributable reserves.

RECENT DEVELOPMENT

Following the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business in the provision of integrated LED lighting solutions in Asia. As at the

Latest Practicable Date, we have been awarded 336 projects with an aggregate contract sum of approximately HK$24.8 million and completed 363 projects of which revenue recognised was approximately HK$28.4 million, of which a majority were projects relating to the sales of LED lighting fixtures. As at the Latest Practicable Date, we had 39 projects on hand. The aggregate contract sum of all contracts on hand is approximately HK$4.4 million. Please refer to the section headed "Business — Contract Backlog" in this Prospectus for further details. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects.

Subsequent to the Track Record Period, we have continued to focus on developing our business in the provision of integrated LED lighting solutions in Asia. We have been awarded a project in Hong Kong and have a prospective project in the PRC, namely (i) a project which involves the refurbishment of a premium shopping mall in Hong Kong where our Group will be responsible for the provision of integrated LED lighting solutions of an iconic feature located inside the shopping mall, and (ii) a project which involves the provision of integrated LED lighting solutions in a hotel in Shanghai, the PRC. Our prospective projects as disclosed above may not materialise and accordingly, please refer to the section headed "Risk Factors — Risks Related to Our Business and Our Industry — Our prospective projects as disclosed in this Prospectus are subject to unexpected adjustments and cancellations and, therefore, may not be indicative of our future results of operations" of this Prospectus.

To further strengthen our working capital position and enhance our financial resources for our contracts on hand, we obtained a banking facility from a bank in April 2017 of up to HK$1.92 million, which was repaid in mid-September 2017. As at the Latest Practicable Date, we did not have any unutilised banking facilities.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit and loss accounts has posed a material adverse change in the financial or trading position or prospect of our Group since 31 July 2017 (being the date on which the latest audited consolidated financial statements were made up). The decrease in revenue from integrated LED lighting solution services and our sales in the PRC being subject to 17% of VAT may have a negative impact on the financial and trading position of our Group for the year ending 31 March 2018 and thereafter. Prospective investors should be aware of the impact of the listing expenses and such decrease in revenue on the financial performance of our Group for the year ending 31 March 2018.

Save as disclosed above, our Directors confirm that, there had been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 31 July 2017, which is the end of the period covered by the Accountants' Report set out in "Appendix I — Accountants' Report", to the date of this Prospectus.