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REASONS FOR THE LISTING

We have been operating in the LED industry for over 12 years and our Group intends to grow and expand continuously. The following are our main purposes for seeking the Listing:

- broadening our shareholder base and enhancing our access to capital for future growth with opportunities to raise fund not only at Listing but also at a later stage. This is of particular importance to us in view of our plans to enhance the geographical coverage of our business in Asia, particularly in the PRC and Southeast Asia. As an initial step, we will focus on penetrating the LED lighting industry in the PRC, which is an expanding market with a lack of industry experts. Once we have solidified our presence in the PRC market, we will strengthen our geographical coverage in other parts of Southeast Asia. We will strengthen our market position by targeting partners with active local businesses in the LED lighting industry to become a dealer or distributor of our LED lighting products. We believe this will be beneficial to our end-user luxury brand customers as there will be a stable supply and increased accessibility of our products, and our dealers and distributors will also be able to provide technical support to our customers. Please refer to the section headed “Business — Our Business Strategies” in this Prospectus for details on the overall expansion of the geographical coverage of our business. In addition, our Directors have considered using debt financing from banks to fund our future business growth, however, as our Group does not have chargeable assets as security, it may take a longer time to obtain banking facilities. Furthermore, there is an upward trend on the interest rate on bank borrowings in the future which implies higher finance cost. We repaid all of our bank borrowings in mid-September 2017. For further details of our banking facilities, see the section headed “Financial information — Indebtedness” in this Prospectus. Therefore, our Directors are of the view that, fund-raising through initial public offering and having a platform as a publicly listed company, we will be able to secure a wider array of funding sources, reduce our financing costs and result in better financial leverage;
- having considered our financial position and information as set out under section headed “Financial Information — Net Current Assets” in this Prospectus, such as our cash and cash equivalents balance and dividend payable balance as at 31 July 2017, our Directors are of the view that the existing level of cash and cash equivalent balance is sufficient, but not excessive, to support ongoing working capital needs related to our ordinary course of business and our business expansion plan. Furthermore, our Directors consider that our Group will incur certain one-off capital expenditure regarding the proposed new factory and purchasing ERP system, which will lead to a sharp working capital outflow in a short period of time and may affect our operation as we need to maintain certain cash balance for our daily operations. Our Directors also consider that relying solely on organic growth from our ongoing operations will impose constraints on the overall growth of our Group. Therefore, our Company needs the proceeds from the Share Offer for the implementation of our strategies to expand our businesses, strengthen our capabilities and enhance our competitiveness in the LED lighting solution market.
- enhancing our profile, visibility, market presence and reputation to provide further assurance to our customers, world-renowned end-user luxury brands and suppliers. We believe that our customers and the end-user luxury brands may prefer to cooperate with business partners who are listed companies given the latter’s reputation and listing status. We can enhance our corporate image and status and provide reassurance and confidence to our clients, end-user luxury brands and suppliers by way of listing, which would provide us a more level playing

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field when exploring new business opportunities. With better financial resources, we will be better able to take on projects of a larger scale, ensure timely completion of projects, and complete high-quality projects. This can fuel our business growth and strengthen our market competitiveness; and

- enhancing employee incentive and commitment. Human resources are vital to our business. Being listed can help us to attract, recruit and retain our valued management personnel, employees and experts. To provide additional incentive, we have also implemented the Share Option Scheme for our employees in order to attract and retain talents. Please see the section headed “Statutory and General Information — D. Share Option Scheme” for a summary of principal terms of the scheme.

In light of the foregoing, the Listing will further complement our strong liquidity position as reflected during our Track Record Period.

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Please refer to the section headed “Business — Our Business Strategies” in this Prospectus for a detailed description of our future plans. We currently do not have any specific acquisition plans or targets and have not entered into any definitive agreements with any potential targets.

USE OF PROCEEDS

Net Proceeds

We consider that the net proceeds from the Share Offer are crucial for financing our future plans and business strategies. Details of our corporate strategies and business plans are set forth in the section headed “Business — Our Business Strategies” of this Prospectus.

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We estimate that the net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses payable by ourselves in connection with the Share Offer) will be approximately HK\$46.9 million after deducting the underwriting commission and total Listing expenses in the amount of approximately HK\$28.1 million, payable by our Company from the gross proceeds from the Share Offer, and based on an Offer Price of HK\$0.30 per Offer Share (being the mid-point of the Offer Price range between HK\$0.20 and HK\$0.40 per Offer Share), assuming the Offer Size Adjustment Option is not exercised. We currently intend to apply the net proceeds in the following manner from the Latest Practicable Date to 31 March 2020:

- approximately HK\$14.5 million, representing approximately 30.9% of the estimated net proceeds, will be used to set up our own factory to reduce our costs and improve the quality of our products in support of our corporate strategies and business plans. We anticipate the financing involved will be used for (i) renting of a factory and staff quarters in Guangdong province, PRC; (ii) purchasing machinery and equipment for production; (iii) hiring new staff to work in the factory, including 12 management and administrative staff, 58 technicians and workers, and four machinery operators; and (iv) renovation of the factory. We anticipate that the total estimated expenditure will be approximately HK\$14.5 million. Set out below are further details of our business plan and its potential impact on the business, operations and financial performance of our Group:

Business and Financial Performance

- Our Directors believe that the set-up of our own factory provides us with, amongst others, the following benefits to our business and financial performance:
 - (i) we will be able to produce LED lighting fixtures with better and more stable quality;
 - (ii) we will be able to better monitor and control the quality of our LED lighting fixtures to make certain that our customised LED lighting fixtures, being of various dimensions and specifications, are a complete match to our customers' needs and requirements;
 - (iii) we will expand our market share and solidify our market position in the LED lighting industry due to the increase in our production capacity;
 - (iv) we no longer place heavy reliance on our suppliers to produce LED lighting fixtures;
 - (v) we believe we will be better able to reduce the lead time from acceptance of sales orders to completion of production as we are able to control the production schedule in our factory;
 - (vi) we will be able to capture some of the profit margin earned by our current suppliers, who are currently responsible for the sourcing of materials to production of end-products; and
 - (vii) we estimate that the direct costs of producing our own LED lighting fixtures as compared to purchasing LED lighting fixtures from suppliers will be slightly less due to economies of scale in production and purchase of raw materials and components through bulk purchases and centralised management. In addition, sourcing of materials will be cheaper as we will not be required to pay suppliers a premium on the materials procured. Upon commencement of production of LED

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lighting fixtures through our own factory and on the assumption that we will produce below the full production capacity initially at a 50% utilisation rate, being 120,000 pieces of LED lighting fixtures per year in our factory, for the two years commencing from the completion of the factory set-up, we expect that we will be able to achieve savings in production costs of approximately 15.0%, which is estimated based on the difference between the unit price currently charged by our suppliers and the unit costs of our in-house budget for certain LED lighting fixtures. Furthermore, we will be able to obtain minimum order quantity unit prices for raw materials and components from our suppliers, which will serve as another factor to achieve savings in production costs.

Our Directors therefore believe that the set-up of a new factory is beneficial to our Company and our Shareholders as a whole.

Operations

- *Production orders.* The set-up of our own factory will support our business strategy of solidifying our market position in Asia. We intend to explore business opportunities with fast-fashion retail chains upon the commencement of operations of our factory. We intend to receive production orders through our sales team. In order to build our level of production orders, we endeavour to expand our sales team to induce additional sales orders, by exploring the fast-fashion market in Hong Kong, the PRC and Southeast Asia, which will thereby increase our level of production orders. In order to attract new potential customers, we intend to explore other means of sales and marketing, including direct sales channels through referrals.
- *Production.* We intend to design and manufacture customised LED lighting fixtures through the integration of standardised parts, such as LED chips and dimmers supplied by our current suppliers. As an initial step towards the set-up of our own factory, we will begin to withhold a portion of our inventory of components and LED chips to be used for manufacturing LED lighting fixtures. We will also continue to be committed to our social responsibilities, in line with the increasing concern of our world-renowned end-user luxury brand customers, by producing LED lighting fixtures which are compliant with the relevant environmental standards and labour laws.
- *Quality control.* Our new factory will be monitored by Mr. Lo King Shun (“**Mr. Lo**”), a member of our senior management who is responsible for engineering and quality assurance of the Group. With over 10 years of experience in quality assurance, particularly in respect of the appearance and performance of our products, he is familiar with our products and can ensure the quality of our products. He is also responsible for investigating product failures. Details of Mr. Lo are set forth in the section headed “Directors and Senior Management – Senior Management” in this Prospectus. In addition, we will purchase testing equipment, such as the spectrometer and high low temperature test chamber for use in our factory to enhance the quality of the products manufactured.
- *Management reporting.* We will set up an ERP system which provides technical information and production data and analysis on the operations of our production system. The information that such ERP system generates includes, amongst others, (i) statistics and analysis of the raw material input and production output, (ii) historical trending analysis, (iii) production batch reports with content including, amongst others,

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duration of production, raw materials consumption, raw material rejects and defective product rejects incurred during the batch production, (iv) downtime analysis, and (v) evaluation of production capacity. Our Directors believe that the implementation of the ERP system will improve the efficiency of our factory and assist timely decision-making of our management. Details of our implementation plan for enhancing the ERP system are set forth in the paragraph headed “— Use of Proceeds — Implementation Plan”.

- *Human resources.* To cope with the needs of the newly setup factory, we will recruit 74 additional staff with relevant experience in the LED industry including management and administrative staff, machinery operators and technicians and workers. The following table sets out the expected role and area of expertise of such additional staff:

Position	Number of staff	Expected role	Area of expertise
Factory manager	One	Responsible for leading and managing the production team in our factory; reviewing the production process, operations and workflow on a regular basis; analysing the cost effectiveness and efficiency of our production process; and managing and resolving problems occurring throughout all stages of the production process.	At least four years of experience in managing a factory in a managerial position; possess in-depth knowledge in all aspects of factory operations; knowledgeable in the technical aspects of the production process and industry requirements within the LED lighting industry; proficient in Cantonese and Mandarin and literate in Chinese; maintains a hands-on approach in problem solving and decision-making.
General manager	One	Responsible for the overall management and supervising operations of the factory	At least three years of solid experience in overall management, supervision and planning of factory operations and has experience in the LED lighting industry
Assistant general manager	One	Responsible for assisting the general manager in the daily management and operations of the factory	At least five years of solid working experience, preferably in the LED lighting industry, and has strong communication skills
Administrative manager	One	Responsible for the overall management of human resources and administrative matters of the factory	Solid experience in human resources and administrative work and also has experience in handling employee relations and providing logistics support
Quality control manager	One	Responsible for overall quality assurance and quality control of all our finished products	With qualifications in mechatronics or mechanical engineering and has solid experience in the electronics industry and quality control of products
Warehouse manager	One	Responsible for inventory control, overseeing the operations of the warehouse and the logistics of the receipt and delivery of our raw materials and our finished products	With at least a secondary education and experience in warehouse management
Accountant	One	Responsible for the financial matters of the factory	Qualified accountant with at least five years of post qualification experience and extensive experience in financial management
Cashier	One	Responsible for the daily financial matters relating to the operations of the factory	At least two years of working experience in finance, preferably in the LED lighting industry

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Position	Number of staff	Expected role	Area of expertise
Quality assurance tester	Two	Responsible for controlling and testing the quality of our finished products	Solid experience in quality control of products within the electronics industry and is familiar with quality control tools
Procurement officer	One	Responsible for sourcing the raw materials and components for our production	Relevant experience in assessing electrical components and electronics and has the knowledge of the suppliers in the LED lighting industry
Export officer	One	Responsible for the daily logistics of the operations of the factory, such as storage, handling and transportation of production materials and components, work-in-progress or finished products	Relevant experience in shipping and export of products with strong communications skills and English language capabilities to coordinate the transportation and shipping of our products
CNC machine operators and 3D printer operators	Two each	Responsible for the daily operations of the CNC machines and 3D printers in the factory (as applicable)	With knowledge of the operations of a CNC machine and/or 3D printer (as applicable) and with at least three years of experience in the electronics industry
Technicians and/or workers	58	Responsible for the daily operations of our factory which involve the production of our products	With at least a secondary education and relevant experience in the electronics industry, and their position to be determined by the extent of their work experience

We believe that the additional staff to be recruited will be sufficient to operate and manage a medium-sized factory like ours with reference to other factories of a similar size in the PRC. The operations of our factory will be led and managed by a factory manager who will be assisted by a general manager and assistant general manager.

As at the Latest Practicable Date, we were in the process of recruiting a factory manager, as it is the key to our success in the set-up of our factory. We target to employ a factory manager from one of our suppliers based on the requirements set out above. The recruitment of a factory manager from one of our suppliers is advantageous as, having had previous business dealings with us, such factory manager is expected to be familiar with our operation model and the product quality on demand to satisfy the needs of our customers. Further, we target to source and recruit additional staff through various channels, including the recruitment of management staff with our business connections in the PRC, administrative staff through recruitment websites in the PRC and technicians and other staff through recruitment advertisements.

Having considered the aforementioned benefits to our business and financial performance and the ability to streamline our business operations, we believe we will be able to customise our products and services in a cost-efficient manner. For these reasons, we believe that the set-up of our own factory is advantageous to the development and expansion of our business in the long run.

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Set out below are further details of the set-up of our own factory:

Proposed timing of implementation We anticipate the proposed timing of implementation to be in two phases: (i) preliminary preparation, and (ii) production line preparation. Set out below is the expected timeline from the Latest Practicable Date to June 2018:

Implementation activities	Proposed completion dates
Preliminary preparation:	
Locating factory sites in Guangdong, PRC	on or before December 2017
Obtaining quotations for production machinery and testing equipment	February 2018
Establishing a legal entity in the PRC for the factory	February 2018
Checking and applying for all necessary licences and permits in respect of the factory for commencing production	February 2018
Production line preparation:	
Entering into the lease for the factory	March 2018
Renovating the factory	on or before April 2018
Purchasing production machinery and testing equipment	April 2018
Recruiting the factory manager	April 2018
Entering into the lease for the staff quarters	early May 2018
Recruiting additional staff to run the factory	mid-May 2018
Testing the production lines	end of May 2018
Completing applications for and obtaining all necessary licences and permits in respect of the factory and to commence production	end of May 2018
Commencement of factory operations	June 2018

For further details of our implementation plan of the set-up of a factory, please refer to the paragraph headed “— Use of Proceeds — Implementation Plan”

Source of funding Net proceeds from the Share Offer

Capital expenditure The total estimated capital expenditure is HK\$4.7 million. The following table sets forth the details of the breakdown of our total estimated capital expenditure, together with the planned allocation of machinery and equipment.

Capital expenditure items	Number of units	Estimated Capital expenditure (HK\$'000)
Office renovation	N/A	1,000
Production Machinery		
- CNC machines	2	1,000
- 3D printer	1	1,500
- Automatic wire bonders	2	980
- Others	N/A	20
Subtotal		3,500
Testing equipment		
- Spectrometer	1	60
- High low temperature test chamber	1	70
- Others (including electronic microscope)	N/A	70
Subtotal		200
Total		4,700

Cost structure Set out below is the estimated cost structure for the year ended 31 March 2017 and two years ending 31 March 2019 after taking into consideration our planned factory operations and on the assumption that we will produce below the full production capacity initially at a 50% utilisation rate, being

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120,000 pieces of LED lighting fixtures per year, for the two years commencing from the completion of the factory set-up:

	Year ended 31 March 2017	Year ending 31 March 2018	2019
Raw materials cost	-	-	42.1%
Direct labour and overhead costs	-	-	14.0%
Components cost ⁽¹⁾	79.1%	80.4%	18.8%
Staff costs	14.3%	13.4%	12.5%
Rental expense	-	-	6.8%
Subcontractor costs	3.3%	3.2%	3.0%
Other ⁽²⁾	3.3%	3.0%	2.8%
Total direct costs	100.0%	100.0%	100.0%

Notes:

- (1) Components include dimmer, LED chips and printed circuit board
- (2) Other includes consumables, carriage inwards and carriage outwards expense

We believe that by setting up our own factory, we can achieve cost savings through (i) bulk purchase of raw materials to enjoy a minimum order quantity price; and (ii) advanced production planning by cost saving of the premium that would have been charged by our supplier for any order on an urgent basis.

Feasibility studies performed

We have considered a range of quantitative and qualitative factors as part of a feasibility study leading to our decision to set up our own factory, including the key factors set out below:

- *Increasing our capability in satisfying customer demands.* Our Directors are of the view that our end-user luxury brand customers often require customised products which are tailored for the specific design and layout of their shops and the LED lighting fixtures required for such projects varies on a project-by-project basis and may comprise diverse product types and each of varying quantities. We have also received ad hoc requests from potential end-user luxury brand and customers in the past to provide customised LED lighting fixtures of smaller quantities or of larger quantities on an urgent basis. From time to time, we have been unable to fulfil such ad hoc requests as, without our own production facility, we are unable to actively manage and streamline all of our supply chain activities from research and development to sourcing, production and logistical arrangements. Furthermore, our suppliers' refusal to accept our purchase orders of such small quantities in the past has resulted in us having to pay a higher per unit price for LED lighting fixtures as such orders do not meet our suppliers' minimum order quantity. Accordingly, our Directors believe that it would be beneficial for the long-term development of our business to enrich our supply chain and set up our own factory to stabilise the supply and unit price of LED lighting fixtures to meet customer demands, particularly in the Hong Kong and PRC markets.
- *Saving on production costs.* Having considered the potential operational benefits of the set-up of our own factory, our Directors

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believe that with an expanded production capacity and increasing customer demands, we will be able to achieve economies of scale in production in the long run as well as to maximise our gross profit margin. As a result, we believe the production costs attributable to our LED lighting fixtures will decrease when we produce our own LED lighting fixtures as opposed to outsourcing the production. For details of the savings in production costs, please refer to the paragraph headed “— Use of proceeds — Net Proceeds — Business and Financial Performance”.

- *Maintaining high standards of product quality.* We believe that our new factory will supplement our existing business by enabling us to continuously monitor and improve the quality of our LED lighting fixtures, which is of increasing importance as we receive more requests from existing and potential customers to design customised LED lighting fixtures.

We have taken steps to materialise our factory set-up plan, of which the key factors to the success of our factory plan are:

- *Locating factory sites and obtaining quotations from the landlords.* As at the Latest Practicable Date, we are considering two factory locations in Longgang District, Shenzhen and Zhuhai Guangdong with an area of approximately 3,600 to 6,000 square meters. The quotations provide that the rent is approximately RMB 28 to RMB 35 per square meter with a term of three to five years. The potential sites will allow us to be within close proximity of our suppliers, leading to convenient access to components a shorter lead time in delivery of components. We are still considering the suitability of the two factory locations and will proceed to negotiate with the landlords as to the terms of the lease agreement for the factory.
- *Hiring a factory manager to set up and manage the factory.* The Company is locating potential candidates as the factory manager through referral within the LED industry, such as through our network of suppliers. The Company is now considering one candidate from our supplier, with experience in managing a factory of approximately four years. For details of the job requirements of the factory manager, please see the paragraph headed “Human resources” under the paragraph headed “— Use of Proceeds — Net Proceeds — Operations”.

Payback period

On the assumption that we will produce below the full production capacity initially at a 50% utilisation rate, being 120,000 pieces of LED lighting fixtures per year in our factory, for the two years commencing from the completion of the factory set-up, the estimated payback period on our factory capital expenditure is approximately three years, which is based on our estimated profits generated from our factory (before depreciation charges) with assumption on a 60% gross profit margin for our factory. The gross profit margin is primarily based on (i) our gross profit margin

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during the Track Record Period, which is approximately 51% to 58%; and (ii) our estimation on cost savings in production from obtaining a minimum order quantity unit price for raw materials and components from our suppliers which can further improve our gross profit margin.

Products

The products to be manufactured are standardised LED lighting fixtures and customised LED lighting fixtures which will be provided to both the luxury and non-luxury retail markets, with a major focus on the luxury retail market.

In respect of standardised LED lighting fixtures, we will be able to produce in large quantities based on the latest budget provided by our customers, thereby enjoying economies of scale. Our key standardised LED lighting fixtures include Prism V2, Ceiling Spot CS01, Neo Cube, Blue Board BL7, Prism V4 and Neo Cube L. For details of our key standardised LED lighting fixtures, please refer to the section headed “Business — Our Services and Products — Our Product Portfolio”.

In respect of customised LED lighting fixtures, our customers may request custom-made features to be included in the product design on a case-by-case basis. Given that such product designs will generally involve a certain degree of complexity, we intend to combine our in-house product design and manufacturing capability in order to respond promptly to any design change requests by our customer and closely monitor the manufacturing process of our LED lighting fixtures to enable us to produce higher quality LED lighting fixtures. We will apply for patents on our product designs of our customised LED lighting fixtures to protect the exclusive right to our product designs.

Production and sourcing of labour and raw materials

The overall operations of our factory will be managed by the factory manager with the support of the general manager and assistant general manager. Details of our management of human resources and sourcing of labour are set out in the paragraph “Human resources” under the paragraph headed “— Use of Proceeds — Net Proceeds — Operations”. In terms of production, the factory manager, general manager and the quality control manager will closely supervise and monitor the production line and process through our two-fold quality control procedure, which comprises sampling testing of the raw materials procured from our suppliers by appearance and by functionality. Meanwhile, the general manager will assist the factory manager to ensure that the daily operations of the factory run smoothly. We will focus our production on LED lighting fixtures, exclusive of components of a technical nature, such as dimmers and power supply, which will be outsourced to our current suppliers. The raw materials for our production will mainly be procured from our current suppliers due to our long-term relationship with such suppliers and their ability to provide us with raw materials at a reasonable cost and quality.

Production capacity and utilisation

Our new factory will have two production lines with an expected maximum production capacity of approximately 240,000 pieces of LED lighting

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fixtures per year. We assume the production lines will produce below the full production capacity initially at a 50% utilisation rate, being approximately 120,000 pieces of LED lighting fixtures per year, for the two years commencing from the completion of the factory set-up, while we conduct trial testing of the production lines and fine-tune the production line and process during the initial three months and continue to monitor the whole production process in the subsequent months. During this period, we expect that the production lines will run on a rotation basis. In the event of a breakdown of one production line, the operations of our factory will still continue and will not be affected. Further, we expect that the second production line will be used to produce sample products from time to time, and will handle any increase in demand of our products as anticipated and set out under paragraphs (i) and (ii) below. Hence, the second production line will be more fully utilised when our production capacity peaks at over 120,000 pieces of LED lighting fixtures per year.

After the two years commencing from our factory set-up, we expect to maximise our production capacity by producing all of our LED lighting fixtures in-house, and will only outsource the production if there are certain processes that are not feasible or cost efficient to be processed in our factory.

We estimated our initial production capacity of 120,000 pieces of LED lighting fixtures based on an estimate of the demand for our products of approximately 116,250 pieces of LED lighting fixtures per year, which was based on two factors, namely,

- (i) *the expected increase in demand of our products from penetrating the LED lighting industry in the PRC leading to the estimated sales of approximately 86,250 pieces per year* — having considered our sales of approximately 44,000 pieces, 75,000 pieces and 22,800 pieces of LED lighting fixture as at the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively, together with the assumption of a 15% year-on-year growth of sales of LED lighting fixtures from the latest full financial year, our estimated sales would be approximately 86,250 pieces of LED lighting fixtures, primarily determined by the increased demand for our LED lighting fixtures in the PRC, resulting in the increased orders from the PRC after the commencement of our business carried out by Shenzhen Chuangheng since December 2016. The assumption of a 15% year-on-year growth rate is primarily based on the Industry Report conducted by Frost & Sullivan, whereby the revenue of LED lighting solutions for luxury retail markets in APAC will grow from US\$470.6 million for the year 2016 to US\$559.5 million for the year 2017, representing a growth of approximately 18.9%. Since our Group is mainly focused in the market in Asia, our management considers that reference to the market growth rate in APAC is appropriate; and

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- (ii) *the expected increase in demand of our products from penetrating the fast-fashion market leading to the estimated sales of approximately 30,000 pieces per year* — having considered the increase in demand for LED lighting fixtures as a result of catering to the needs of the potential fast-fashion brands with shops that are larger in size and more abundant in the number of shops as compared to our end-user luxury brands upon our entry into the fast-fashion retail market, our estimated sales would be approximately 30,000 pieces per year, determined by a prudent estimate of the use of approximately 3,000 pieces of LED lighting fixtures per shop multiplied by an estimate of 10 shops per year. The number of LED lighting fixtures of 3,000 pieces per shop was determined by taking into account our previous working experience with a fast-fashion brand, where 5,000 LED lighting fixtures were required for a shop, and by making a conservative estimate that only 60% of such LED lighting fixtures will be required per shop since the size of each shop will vary. The number of shops was determined on the assumption that we will only be able to cater to the needs of 10 shops of one fast-fashion brand which we worked with, which is less than 10% of its total number of shops it currently opened of over 100 in Hong Kong and the PRC. Our Directors are of the view that the above estimates and assumptions were conservative and made on a prudent basis.

Therefore, our Directors believe that the assumption of approximately 116,250 pieces (i.e. 86,250 pieces plus 30,000 pieces) of LED lighting fixtures to be produced and sold per year in the initial two years upon the commencement of our factory set-up is approximate to the demand.

Our Directors also considered that after the two years of initial operation of our factory, the demand for our LED lighting fixtures will be further increased, having considered that (i) after the Listing, with more working capital and better market presence and reputation, our Group would be able to undertake more LED lighting solutions projects; and (ii) we will further enhance our market share in the fast-fashion market by undertaking more projects for different fast-fashion brands and in different cities with a focus in Asia, given that we have accumulated related experience during the two years of initial operation of our factory and, accordingly, there will be sufficient demand for the designed production capacity of our new factory.

PRC legal and regulatory requirements

The operations of our newly set up factory involve the production and export of LED lighting fixtures in the PRC. As advised by our PRC Legal Adviser, in respect of the production of LED lighting fixtures, we are not required to obtain any licences, permits or qualification certificates. In respect of the export of LED lighting fixtures, we will be required to (i) obtain a valid PRC Customs Declaration Registration Certificate (中華人民共和國海關報關單位註冊登記證書) from the competent authority; and (ii) submit the Foreign Trade Operator Registration Form (對外貿易經營者備案登記表) and Entry and Exit Inspection and Quarantine

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Inspection Enterprises Record Form (出入境檢驗檢疫報檢企業備案表) to the competent authorities for registration. We expect it to take approximately three to four months to complete the certification and registration procedures.

As advised by our PRC Legal Adviser, there is no legal impediment for the Group to obtain these permits provided that the Group submits all necessary documents to the relevant government bureau. Our Directors confirmed that they will apply all the relevant licences, permits and qualification regarding the export of LED lighting fixtures before the operation of our factory.

- approximately HK\$5.9 million, representing approximately 12.6% of the estimated net proceeds, will be used for recruiting high calibre talent in lighting design, sales and marketing, and research and development in the Hong Kong office to support our future growth. The number of staff to be recruited and their respective expected roles, and areas of expertise are detailed as follows:

Position	Number of staff	Expected roles	Areas of expertise
Lighting designer	One	Responsible for working with the research and development team in designing LED lighting fixtures, reviewing designs of our engineers and providing advice on LED lighting solutions to our team and our customers	At least 10 years of experience in design, preferably in the LED industry and holding a bachelor degree in design
Sales manager	One	Responsible for maintaining our relationship with luxury brand customers and strengthening our brand to explore opportunities in Southeast Asia	At least five years of experience in a management position with a good relationship with brand customers, holding a bachelor degree in marketing and also having mastered multiple languages (including French)
Sales coordinator	Five	Responsible for coordinating with different departments within our Group in relation to sales matters and providing sales support	At least four years of relevant sales and marketing experience, holding a diploma in business administration or marketing and also fluent in English and Chinese
Research and development manager	Two	Responsible for assisting the lighting designer to create feasible LED lighting fixtures and providing research and development reports regularly	At least 10 years of relevant experience in the LED industry and holding a bachelor degree in electronic engineering or mechanical engineering

Our Directors believe that the recruitment of high calibre talent in the aforementioned areas is necessary for the reasons set out below:

- The employment of a professional lighting designer will enhance our ability to design and manufacture high quality LED lighting fixtures.
- Our existing sales team, including our executive Director and chief executive officer, Mr. Tam, is fully occupied in handling sales orders of our existing customers. Accordingly, we will employ six sales personnel to alleviate Mr. Tam's duties on the sales side so he can focus on the management and strategic planning of our business. The additional sales manager will lead the five sales coordinators to handle our existing customers and explore market opportunities, particularly in the fast-fashion market.

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- Our existing research and development team comprises two research and development managers. One of them has over 12 years of experience in the LED lighting industry, and is mainly responsible for producing design drawings, clarifying designs and resolving design issues through applying suitable materials, and producing product samples based on the current industry trend. The other research and development manager is responsible for electronic design and providing cost-efficient research and development for lighting fixtures in our Company and has over eight years of experience in the LED lighting industry, including being employed as a project manager of Supplier A, one of our suppliers of LED chips, for over three years. We believe that our existing research and development team allows us the capability to provide technically feasible LED lighting solutions with innovative designs to our current customers.
- We believe that being innovative and efficient are essential success factors of our business. Given that we currently have only two research and development managers who are responsible for the design and modification of products in terms of appearance and technical functionality, and a majority of our projects involve custom-made products, our existing research and development team is fully occupied with our current projects to develop customised products for our customers and are unable to allocate sufficient time to develop other products. For these reasons, we intend to employ two additional research and development managers, one with a background in mechanical engineering and the other in electronic engineering, to strengthen our research and development capacity in designing new products of a higher quality and energy efficiency.
- Further, we believe that with a stronger research and development team, we will have the capacity to focus on new product designs and will be able to simultaneously work on new research and development projects based on the market trend and on a larger scale. Due to the capacity of our current research and development team, we have only tended to individual customer requests to develop new products but have yet to actively develop new products to enhance our product selection. We do not currently have specific major research and development projects on hand, but intend to work on the following types of projects in the future:
 - (i) energy saving projects with an aim to achieving better visual effects from LED lighting systems which are environmentally friendly and energy efficient, while also satisfying our customers' environmental concerns;
 - (ii) projects involving the modification of the product design of our standardised LED lighting fixtures and streamlining the production process to cut down on unnecessary costs of production;
 - (iii) product design projects with a focus on designing adaptable and cost-effective LED lighting fixtures suitable for the fast-fashion retail market; and
 - (iv) smart lighting project involving the development of our own lighting control system which is user-friendly and customisable for our operations.

Our budget for each of the aforementioned research and development projects will be prepared during the initial stage of the research and development process and each project will be financed by our internal resources.

FUTURE PLANS AND USE OF PROCEEDS

We anticipate that the total estimated expenditure will be approximately HK\$5.9 million, all of which will be used for recruiting high calibre talent and paying their salary and related training cost until 31 March 2020. As at the Latest Practicable Date, the expenditure in respect of research and development mainly comprises the salary of our two research and development managers.

- approximately HK\$17.9 million, representing approximately 38.2% of the estimated net proceeds, will be used for pursuing suitable acquisitions. We intend to selectively acquire, invest in or partner with companies which we consider to have the potential to complement our existing business in the luxury retail market. Our acquisition approach is to acquire a controlling interest in the target company. Thus, we can ensure that the new business to be acquired will align with and complement our Group's business focus and development goals as a whole. Before making a decision, we will carefully consider by taking into account, amongst others, the following factors:
 - (i) investment return, payback period and other benefits that we expect to result from the acquisition(s);
 - (ii) acquisition consideration, valuation methodologies and accounting impact of the acquisition(s);
 - (iii) profitability of the acquisition target(s);
 - (iv) findings of due diligence to be conducted on the acquisition target(s);
 - (v) synergic effect with our business, in terms of geographical coverage, scope of services, or otherwise. Such acquisition target(s) can be, for instance, a PRC qualified contracting company who is also a supplier/contractor of the luxury retail market. We can provide full range of service including our integrated LED lighting solution in the PRC by way of the acquisition. In addition, we also intend to enhance our consultancy service provided by vertical integration, which will allow us to offer more comprehensive consultancy services to our clients based on the worldwide LED trend; and
 - (vi) challenges and expenses that could arise from integrating with the acquisition target(s).

FUTURE PLANS AND USE OF PROCEEDS

The total estimated acquisition cost will be approximately HK\$47.5 million. Our source of funding comprises HK\$17.9 million from the net proceeds from the Share Offer and the remaining from the internal resources of our Group, including our cash and cash equivalent balances and net cash inflow from operating activities. Set out below is the acquisition plan of the types of target companies that we intend to acquire:

	Type A	Type B	Type C
Nature of target company	A company based in the PRC and currently a supplier or contractor of companies within the luxury retail market or end-user luxury brands, possessing the relevant qualifications for the installation of LED lighting products	A lighting consultancy or design company based in Hong Kong	A company based in the PRC, specialising in the supply of technical components (such as dimmers, which are not intended to be produced by our factory) and possessing the relevant licences and/or permits (including environmental permits) for the production and sales of such components
Reason for acquisition	A company has to obtain the relevant qualifications in order to provide LED lighting installation work in the PRC. Upon acquiring a Type A company, we can expand our sales of LED lighting products and provision of integrated LED lighting solution services in the PRC by providing a full range of services from design, production to installation. Furthermore, the acquisition can achieve the purpose of saving time and costs in applying for the relevant qualifications in respect of the installation of LED lighting fixtures and provision of the related maintenance services in the PRC, and enables us to capture the business opportunities in the PRC, one of the fast-growing economies	By way of acquiring a Type B company, we aim to capture the business opportunities from its existing pool of customers, in addition to developing new customers from our existing marketing channels. Our Group can also seek consultations and obtain professional advice from a Type B company at a lower cost, which would improve the quality of our services, and also enhance our LED lighting system consultation services by offering more comprehensive consultancy services.	We have been relying on third parties to supply technical components for our LED lighting products. The acquisition of a Type C company would enable us to shorten the production cycle of LED lighting products, better control the quality of components, and maintain a steady supply of technical components for our LED lighting products
Expected capital expenditure	Approximately HK\$25.0 million (assuming that companies of such type are usually medium to large sized unlisted enterprises with most of its assets being current assets and its qualifications to provide LED lighting installation work in the PRC)	Approximately HK\$7.5 million (assuming that companies of such type are usually small and medium-sized enterprises with few or no assets and a small number of employees and the only material assets would be cash which would be distributed as dividends before the acquisition)	Approximately HK\$15.0 million (assuming that companies of such type are usually small and medium-sized enterprises with a minimal amount of net asset value and fixed assets and a small scale production line costing approximately HK\$3.0 to 4.0 million)
Expected payback period and investment return⁽¹⁾	Approximately 4.2 years (assuming that the average revenue of such newly acquired company is HK\$30 million per year with a net profit margin of 20.0%)	Approximately 3.0 years (assuming that the average revenue of such newly acquired company is HK\$5.0 million per year with a net profit margin of 50.0%)	Approximately 5.0 years (assuming that the average revenue of such newly acquired company is HK\$20.0 million per year with a net profit margin of 15.0%)

FUTURE PLANS AND USE OF PROCEEDS

Note:

- (1) The average revenue and net profit margin are based on our case studies on similar companies of the particular types of target companies, some of which are our existing suppliers and subcontractors. As at Latest Practicable Date, we have not identified any specific target or commenced any negotiation for any acquisitions.

The acquisitions of Type A and Type C companies would achieve the upstream growth of our Group through the acquisition of suppliers and subcontractors, while the acquisition of a Type B company would achieve horizontal growth of our Group through the acquisition of a company which provides consultancy or design services of a similar nature to us, which would ultimately allow our Group to provide a comprehensive and full range of integrated services to our customers and enhance the synergistic effect generated together with our newly established factory. Our Directors are of the view that the acquisition of a Type A company is of the greatest importance and value to our Group as it corresponds to our business strategy to solidify our market position in Asia and is in line with our aim to strengthen our market position in the LED lighting industry in the PRC market. For details of the relevant PRC qualifications required of a Type A company for providing LED lighting installation works and related maintenance services in the PRC, please see the section headed “Regulatory Overview — The PRC — Qualification Management”.

In assessing the expected capital expenditure of different type of acquisition targets, our Directors primarily considered the expected net asset value of these target companies. For Type A company, it is expected to be a private company with permit and with immaterial amount of assets in generating revenue in view of its business nature for supplying and installing LED lighting products. For Type B company, the company is expected to be a small enterprise company with light assets as it is a service company. For Type C company, the company is expected to be a small company with small scale production line. We expect the value for its non-current assets, particularly its production line, to be around HK\$3.0 to 4.0 million with reference to our expected capital expenditure on production machinery and testing equipment in our new factory. Based on the above assessment on the expected net assets value of our target companies, our Directors are of the view that the expected capital expenditure is appropriate.

Our Directors are of the view that by using approximately 38.2% of our estimated net proceeds for pursuing suitable acquisitions, our Group’s business will grow at a faster rate compared to solely relying on our organic growth. As at the Latest Practicable Date, we have not identified any specific target or commenced any negotiation for any acquisitions;

- approximately HK\$5.1 million, representing approximately 10.9% of the estimated net proceeds, will be used for enhancing our ERP system, including upgrading our inventory system to integrate and streamline our business operations while controlling costs. With a competent ERP system, we will be able to accurately calculate our production costs and also closely monitor our increased inventory levels due to our newly setup factory in the PRC. The total estimated expenditure is approximately HK\$5.1 million and we anticipate it will comprise software licensing fees, setup cost of the ERP system, salary of a data input processor, and training and testing expenses;
- approximately HK\$2.6 million, representing approximately 5.5% of the estimated net proceeds, will be used for expanding and upgrading the workshop and office in Hong Kong.

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We anticipate the financing involved will comprise capital expenditure on renovations in the workshop, upgrading the information technology infrastructure, hardware and software, and also miscellaneous expenditure outlay to maintain our operating effectiveness; and

Set out below are further details of expanding and upgrading the workshop and office:

Source of funding Net proceeds from the Share Offer

Estimated expenditure The total estimated expenditure is approximately HK\$2.6 million.

The tenancy agreement of our current workshop expired in September 2017 and we subsequently entered into a new tenancy agreement to continue leasing the current workshop. An estimated capital expenditure of HK\$1.0 million will be spent on upgrading the workshop under the new tenancy. Such capital expenditure will mainly be used to (i) restore or replace the existing furniture and fixtures in the workshop; and (ii) renovate the warehouse section of the workshop to increase the inventory storage capacity. Our Directors consider that such renovation will be able to increase our productivity.

After we enter into the fast-fashion market, we anticipate a further expansion of our workshop to provide a larger workspace for our research and development team to conduct research and development projects, and storage space for components. Thus, an estimated expenditure of HK\$1.3 million will be spent on leasing an extra workshop (inclusive of refurbishment of such workshop) in the period between 1 October 2018 and 31 March 2019.

We will also spend HK\$0.3 million to upgrade our information technology infrastructure in our office, being the software, hardware and network infrastructure, including the data centre facilities and data processing servers to support our ERP system.

- approximately HK\$0.9 million, representing approximately 1.9% of the estimated net proceeds, will be used for working capital and general corporate purpose.

The above allocation of the net proceeds from the Share Offer will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this Prospectus.

Assuming that the Offer Price is determined at HK\$0.20 (being the low-end of the Offer Price range), the net proceeds our Company receives will be reduced by approximately HK\$22.9 million. Details of our current intention to reduce the net proceeds to the above proposed use of proceeds (when compared to the net proceeds to our Company with the Offer Price determined at the mid-point of the estimated Offer Price range) is set out below:

- approximately HK\$7.4 million, representing approximately 30.8% of the estimated net proceeds will be used to set up our own factory, where the net proceeds will be adjusted on a pro rata basis, and we intend to finance such factory set-up with our internal resources in the event that additional funding is required;
- approximately HK\$3.0 million, representing approximately 12.5% of the estimated net proceeds will be used for recruiting high calibre talent, where the net proceeds will be

FUTURE PLANS AND USE OF PROCEEDS

adjusted on a pro rata basis and we intend to finance such recruitment plans by tightening our budget and decreasing the number of sales coordinators employed from five persons to three persons;

- approximately HK\$9.1 million, representing approximately 37.9% of the estimated net proceeds will be used for pursuing suitable acquisitions, where the net proceeds will be adjusted on a pro rata basis and we intend to adjust our acquisition plan by prioritising the acquisitions to acquire one or more of the three types of target companies in the order of Type A, Type C and then Type B based on the net proceeds available, and we intend to finance such acquisitions with our internal resources in the event that additional funding is required;
- approximately HK\$2.6 million, representing approximately 10.9% of the estimated net proceeds will be used for enhancing our ERP system, where the net proceeds will be adjusted on a pro rata basis and we intend to finance such ERP system enhancement with our internal resources in the event that additional funding is required;
- approximately HK\$1.3 million, representing approximately 5.4% of the estimated net proceeds will be used for expanding and upgrading the workshop and office, where the net proceeds will be adjusted on a pro rata basis and we intend to finance such expansion plan by tightening our budget and reducing the capital expenditure from renovation of the workshop and office; and
- approximately HK\$0.6 million, representing approximately 2.5% of the estimated net proceeds will be used for working capital and general corporate purposes where the net proceeds will be adjusted on a pro-rata basis.

Assuming that the Offer Price is determined at HK\$0.40 (being the high-end of the Offer Price range), our Company will receive additional net proceeds of approximately HK\$22.8 million. Details of our current intention to apply such additional net proceeds to the above proposed use of proceeds (when compared to the net proceeds to our Company with the Offer Price determined at the mid-point of the estimated Offer Price range) is set out below:

- approximately HK\$18.4 million, representing approximately 26.4% of the estimated net proceeds will be used to set up our own factory, where the net proceeds will be increased as a result of allocating part of the additional net proceeds to finance running cost of operating the factory;
- approximately HK\$5.9 million, representing approximately 8.5% of the estimated net proceeds will be used for recruiting high calibre talent where the net proceeds will remain the same;
- approximately HK\$36.4 million, representing approximately 52.2% of the estimated net proceeds will be used for pursuing suitable acquisitions where the net proceeds will be increased by allocating part of the additional funding to such acquisition plans rather than funding such acquisition plans with our internal resources;
- approximately HK\$5.1 million, representing approximately 7.3% of the estimated net proceeds will be used for enhancing our ERP system where the net proceeds will remain the same;
- approximately HK\$2.6 million, representing approximately 3.7% of the estimated net proceeds will be used for expanding and upgrading the workshop and office where the net proceeds will remain the same; and

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- approximately HK\$1.3 million, representing approximately 1.9% of the estimated net proceeds will be used for working capital and general corporate purpose where the net proceeds will be adjusted on a pro-rata basis.

In the event that the Offer Price is determined at the high-end of the Offer Price and the Offer Size Adjustment Option is exercised in full, we intend to apply the additional net proceeds from the Share Offer to the above uses in the proportions stated in the preceding paragraph above.

To the extent that the net proceeds from the Share Offer are not immediately used for the above purposes, we intend to deposit the net proceeds from the Share Offer into short-term demand deposits, interest-bearing bank accounts with licensed banks or financial institutions as permitted by the relevant laws and regulations.

Implementation Plan

Set out below is the expected timeline from the Latest Practicable Date to 31 March 2020 for our Group to deploy the abovementioned net proceeds to be raised from the Share Offer, in accordance with the implementation of our future plans.

	From the Latest Practicable Date to 31 March 2018 (HK\$ million)	Six months ending				Total (HK\$ million)
		30 September 2018 (HK\$ million)	31 March 2019 (HK\$ million)	30 September 2019 (HK\$ million)	31 March 2020 ⁽¹⁾ (HK\$ million)	
Setting up a factory⁽²⁾⁽³⁾						
- Rental of factory and staff quarters	0.2	1.1	1.1	1.1	-	3.5
- Operating expense including staff costs	-	2.0	2.9	1.4	-	6.3
- Purchasing CNC machines, 3D printer and testing equipment ...	-	3.7	-	-	-	3.7
- Capital expenditure including renovation and purchasing furniture and equipment	0.5	0.5	-	-	-	1.0
Subtotal	0.7	7.3	4.0	2.5	-	14.5
Recruiting high calibre staff	0.5	1.3	1.6	1.8	0.7	5.9
Pursuing suitable acquisitions	-	0.2	17.7	-	-	17.9
Enhancing our ERP system	1.5	1.5	2.1	-	-	5.1
Expanding and upgrading the infrastructure of our workshop and office	1.3	-	1.3	-	-	2.6
Working capital and general corporate purpose	0.9	-	-	-	-	0.9
Total	4.9	10.3	26.7	4.3	0.7	46.9

Notes:

- (1) We intend to use our net proceeds to complete most of the implementation of our business plans by the end of 30 September 2019. Therefore, there are minimal implementation plans laid out for this period.

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- (2) Having considered that our factory is light asset based and labour intensive as the nature of our business involves producing customised LED lighting fixtures, the use of proceeds have mainly been allocated to (i) the rental of our new factory and staff quarters based on our feasibility study on the two factory sites located in the PRC, details of which are set out in the paragraph next to the heading “Feasibilities studies performed” under the paragraph headed “— Use of Proceeds — Net Proceeds — Operations”; and (ii) the operating expense of our new factory based on the assumption that we will recruit 74 additional staff to operate the factory, details of which are set out in the paragraph “Human resources” under the paragraph headed “— Use of Proceeds — Net Proceeds — Operations”.
- (3) We intend to use our net proceeds in respect of the set-up of our factory as set out above, however in the event that we are unable to complete the relevant PRC certification and registration procedures in a timely manner, the use of the net proceeds for certain plans may be pushed back by one to two months, without changing the overall timeline for the set-up of our factory to be completed by 31 March 2020. For details of the PRC certification and registration procedures, please see the paragraph headed “PRC legal and regulatory requirements” under the paragraph headed “Use of Proceeds — Net Proceeds — Operations”.

From the Latest Practicable Date to 31 March 2018

Purposes	Implementation activities
Setting up a factory	<ul style="list-style-type: none"> • Renting a factory and staff quarters in Guangdong Province, PRC based on the rent, geographic location and ease of access to high calibre staff • Renovating the factory
Recruiting high calibre staff	<ul style="list-style-type: none"> • Continuously reviewing the performance of our staff in relation to our business performance • Seeking suitable candidates for the position of lighting designer, marketing manager and sales coordinator • Searching for suitable candidates to join our sales team in preparation of entry into the fast-fashion market in Hong Kong
Pursuing suitable acquisitions	<ul style="list-style-type: none"> • Identifying potential acquisition target(s)
Enhancing our ERP system	<ul style="list-style-type: none"> • Recruiting a consultancy firm to be responsible for the implementation of an ERP system suitable for our Group, especially with a centralised inventory system and production system in our PRC factory and Hong Kong office and for the implementation to be in stages in both Hong Kong and the PRC • Setting up the enterprise resource system to integrate our various functional areas, business processes and systems • Recruiting a data entry processor to incorporate information from our existing database such as customer profile, inventory codes and bill of materials (BOM) into the ERP system

FUTURE PLANS AND USE OF PROCEEDS

Purposes

Expanding and upgrading the workshop and office

Implementation activities

- Customising, testing and modifying the ERP system in both Hong Kong and the PRC
- Refurbishing our workshop for dual functionality as a workshop and warehouse, and allocating more storage space to store components due to the increase in sales of LED lighting fixture
- Considering the fee quotation for upgrading our information technology system and proceeding to upgrade the information technology infrastructure and the hardware and software, including the server in our workshop

For the Period from 1 April 2018 to 30 September 2018

Purposes

Setting up a factory

Implementation activities

- Renovating the factory
- Purchasing machinery and equipment, including CNC machines, a 3D printer and testing equipment to meet our production requirements and quality standards
- Recruiting new staff with relevant experience starting late-May 2018 to take up the positions of factory manager, machinery operators and technical and other administrative staff
- Preparing for and commencing operations of the factory in June 2018

Recruiting high calibre staff

- Continuously reviewing the performance of our staff in relation to our overall business performance and the fast-fashion segment of our business
- Monitoring the research and development deliverables of staff

Pursuing suitable acquisitions

- Identifying potential acquisition target(s)

Enhancing our ERP system

- Continue testing and modifying the ERP system in both Hong Kong and the PRC

Expanding and upgrading the workshop and office

- Managing the operational efficiency of our workshop and office
- Monitoring the information technology infrastructure to facilitate efficient and streamlined operations and management of our business

For the Period from 1 October 2018 to 31 March 2019

Purposes

Setting up a factory

Implementation activities

- Maintaining the efficiency of operations of the factory and cost and quality control

FUTURE PLANS AND USE OF PROCEEDS

Purposes	Implementation activities
Recruiting high calibre staff	<ul style="list-style-type: none"> Continuously reviewing the performance of our staff in relation to our overall business performance and the fast-fashion segment of our business Monitoring the research and development deliverables of staff
Pursuing suitable acquisitions	<ul style="list-style-type: none"> Performing due diligence based on our requirements before entering into a transaction Calculating the payback period, return on capital and controlling interest we can acquire from the potential investment and/or transaction to evaluate its worth Negotiating with the potential acquisition target(s) or partner(s) and entering into a transaction Completing the transaction
Enhancing our ERP system	<ul style="list-style-type: none"> Monitoring the efficiency and effectiveness of the ERP system
Expanding and upgrading the workshop and office	<ul style="list-style-type: none"> Further expansion of our workshop due to entry into the fast-fashion market, leading to an increase in demand of components and the need for an extra workshop Upgrading the information technology infrastructure and the hardware and software, including the server in our workshop

For the Period from 1 April 2019 to 30 September 2019

Purposes	Implementation activities
Setting up a factory	<ul style="list-style-type: none"> Maintaining the efficiency of operations of the factory and cost and quality control
Recruiting high calibre staff	<ul style="list-style-type: none"> Continuously reviewing the performance of our staff in relation to our overall business performance and the fast-fashion segment of our business
Pursuing suitable acquisitions	<ul style="list-style-type: none"> Reviewing the performance of the newly acquired business(es) or partner(s) based on return on capital and profit attributable to our Group ERP system to go live between December 2018 to March 2019
Enhancing our ERP system	<ul style="list-style-type: none"> Monitoring the efficiency and effectiveness of the ERP system
Expanding and upgrading the workshop and office	<ul style="list-style-type: none"> Managing the operational efficiency of our workshop and office Monitoring the information technology infrastructure to facilitate efficient and streamlined operations and management of our business

FUTURE PLANS AND USE OF PROCEEDS

For the Period from 1 October 2019 to 31 March 2020⁽¹⁾

- | | |
|-------------------------------|--|
| Recruiting high calibre staff | <ul style="list-style-type: none">• Continuously reviewing the performance of our staff in relation to our overall business performance and the fast-fashion segment of our business |
|-------------------------------|--|

Note:

- (1) We intend to use our net proceeds to complete most of the implementation of our business plans by the end of 30 September 2019. Therefore, there are minimal implementation plans laid out for this period.

Bases and Assumptions

Our future plans and business strategies are based on the following general assumptions:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group's future plans described in this Prospectus from the amount as estimated by our Directors;
- the Share Offer will be completed in accordance with and as described in the section headed "Structure and Conditions of the Share Offer" to this Prospectus;
- there will be no material changes in existing accounting policies from those stated in the audited consolidated financial statements of our Group for the two years ended 31 March 2017 and the four months ended 31 July 2017;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- our Group will continue its operation including but not limited to retaining its key staff and maintaining its customers, suppliers and subcontractors in the same manner as our Group has been operating during the Track Record Period;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political or market conditions in which our Group operates;
- our Group's operations including its future plans will not be interrupted by any force majeure, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate, tax rate and currency exchange rate in Hong Kong;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this Prospectus.