

IMS GROUP HOLDINGS LIMITED

英馬斯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8136

SHARE OFFER

Sole Sponsor

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers



藍山金融

Bluemount Securities Limited

SUNWAH KINGSWAY
新華滙富

Kingsway Financial Services Group Limited

IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

IMS Group Holdings Limited

英馬斯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	250,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	:	25,000,000 (subject to reallocation)
Number of Placing Shares	:	225,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	:	Not more than HK\$0.40 per Offer Share and expected to be not less than HK\$0.20 per Offer Share (payable in full on application in Hong Kong dollars and subject to refund plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	:	HK\$0.001 per Share
Stock code	:	8136

Sole Sponsor

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新華滙富

Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers

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Kingsway Financial Services Group Limited

 **藍山金融**

Bluemount Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this Prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Joint Bookrunners (for itself and on behalf of the Underwriters) and our Company on or about 17 January 2018 or such later date as may be agreed between the parties. If, for any reason, the Joint Bookrunners (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Joint Bookrunners (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. The Offer Price will not be more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.20 per Offer Share, unless otherwise announced. The Joint Bookrunners (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.ims512.com.

Prior to making an investment decision, prospective investors should carefully read and consider all information set out in this Prospectus, including but not limited to the risk factors set out in the section headed “Risk Factors” in this Prospectus.

Prospective investors of the Offer Shares should note that the Joint Bookrunners (for itself and on behalf of the Underwriters) is entitled to terminate the obligations of the Underwriters under the Underwriting Agreements by means of a notice in writing given to the Company by the Joint Bookrunners (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set out in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination” in this Prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Bookrunners (for itself and on behalf of the Underwriters) terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at *www.hkexnews.hk* in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change to the below expected timetable, the Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.ims512.com.

	2018 (Note 1)
Public Offer commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on Thursday, 11 January
Application lists for Public Offer open (Note 2)	11:45 a.m. on Tuesday, 16 January
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Tuesday, 16 January
Latest time to give electronic application instructions to HKSCC (Note 3)	12:00 noon on Tuesday, 16 January
Application lists for Public Offer close (Note 2)	12:00 noon on Tuesday, 16 January
Expected Price Determination Date on or before (Note 4)	Wednesday, 17 January
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications of the Public Offer, the basis of allotment and the results of applications in the Public Offer to be published on our Company's website at www.ims512.com and the website of the Stock Exchange at www.hkexnews.hk on or before	Wednesday, 24 January
Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at www.ims512.com and the website of the Stock Exchange at www.hkexnews.hk (for further details, please refer to the section headed "How to Apply for the Public Offer Shares — 10. Publication of Results" in this Prospectus) on or before	Wednesday, 24 January
Results of allocations in the Public Offer will be available at www.ewhiteform.com.hk/results on	Wednesday, 24 January
Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before (Notes 6 to 9)	Wednesday, 24 January
Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before (Notes 5 to 8 and 10)	Wednesday, 24 January
Dealings in the Shares on GEM to commence at 9:00 a.m. on	Thursday, 25 January

Notes:

1. In this Prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

EXPECTED TIMETABLE

2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 16 January 2018, the application lists will not open on that day. For further details, please refer to the section headed “How to Apply for the Public Offer Shares — 9. Effect of Bad Weather on the Opening of the Application Lists” in this Prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares — 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this Prospectus.
4. The Price Determination Date is scheduled to be on or before Wednesday, 17 January 2018 (or such later date as agreed between our Company and the Joint Bookrunners (for itself and on behalf of the Underwriters)). If the Joint Bookrunners and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not become unconditional and will lapse immediately.
5. Share certificates for the Public Offer Shares are expected to be issued on or before Wednesday, 24 January 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 25 January 2018 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 24 January 2018 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

7. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Form(s) may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
8. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form(s). For further information, applicants should refer to the section headed “How to Apply for the Public Offer Shares — 13. Despatch/Collection of Share Certificates and Refund Monies” in this Prospectus.
9. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.40 per Offer Share.
10. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For details of the structure of the Share Offer, including its conditions thereto, please refer to the section headed “Structure and Conditions of the Share Offer” in this Prospectus.

Pursuant to the force majeure provisions contained in the Underwriting Agreements in respect of the Share Offer, the Joint Bookrunners has the right in certain circumstances, subject to its

EXPECTED TIMETABLE

absolute discretion, to terminate the obligations of the Underwriters under the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be on Thursday, 25 January 2018). For further details of the terms of the force majeure provisions, please refer to the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination” in this Prospectus.

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IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this Prospectus pursuant to the Share Offer. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this Prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors, officers, employees, agents, affiliates and/or representatives or any other party involved in the Share Offer.

The contents on the website at www.ims512.com, which is the official website of our Company, do not form part of this Prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

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. 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. Our understanding of lighting system engineering and technical expertise enable us to offer bespoke and integrated LED lighting solutions with respect to the facade spaces of the retail stores of end-user luxury brands. 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.

During the Track Record Period, we provided LED lighting products or services in over 50 cities for over 15 end-user luxury brands, including the Asian retail stores of world-renowned end-user luxury brands such as Louis Vuitton, Bvlgari, Christian Dior and Fendi.

OUR SERVICES AND PRODUCTS

Our business primarily consists of sales of LED lighting fixtures, integrated LED lighting solution services as well as LED lighting system consultation and maintenance services and, to a lesser extent, sales of visual-audio systems.

Sales of LED Lighting Fixtures

We currently generally sell LED lighting fixtures with respect to the interior spaces of the retail stores. Our sales of LED lighting fixtures business primarily includes design and provision of LED lighting fixtures and after-delivery maintenance and enhancement services, in accordance with the specific demands for each individual project and leveraging the LED lighting solution know-how, technical knowledge and developed engineering expertise accumulated through our over eight years of history as a LED lighting product provider. During the Track Record Period, we outsourced the production of all LED lighting fixtures. The LED lighting fixtures with respect to the interior spaces of the retail stores are installed by the main contractors.

Integrated LED Lighting Solution Services

We currently only provide integrated LED lighting solution services with respect to the facade spaces of the retail stores of end-user luxury brands. A facade refers to the shop-front of a store. Our integrated LED lighting solution services primarily include LED lighting system design, designing and provision of LED lighting fixtures, on-site project management and after-delivery maintenance and enhancement services. We are responsible for the overall LED lighting solution project. We employ our own designers and engineers to work on the more technically sophisticated portions of the project. The installation works of our projects are generally completed by our subcontractors. We coordinate with our customers, end-user luxury brands or their architects, the main contractors, subcontractors and suppliers when we carry out integrated LED lighting solution projects.

LED Lighting System Consultation and Maintenance Services

We provide independent LED lighting system consultation services to our customers instead of providing integrated LED lighting solution services upon their request. We are able to provide services

SUMMARY

including concept design, project presentation, technical consultation, onsite inspection mock up, coordination meeting and handover of system. We also provide LED lighting system maintenance services for LED lighting systems we built after the warranty period expires.

Sales of Visual-audio Systems

We also sell visual-audio systems, which include audio/video conference systems, projection systems, public address systems, sound masking systems and central controlling systems. We historically generated a significant portion of our revenue from sales of visual-audio systems. Since 2005, we began to focus our business on sales of LED lighting fixtures and integrated LED lighting solution services. Although we intend to continue to sell visual-audio systems in the future upon our customers' orders, we do not expect sales of visual-audio systems to continue to be a material part of our business.

PRICING

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

OUR CUSTOMERS

During the Track Record Period, the majority of our customers were either world-renowned luxury brands or their main contractors. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, sales to our five largest customers by contracting party accounted for approximately 45.4%, 44.6% and 50.2% of our revenue, respectively, sales to our largest customer by contracting party accounted for approximately 12.9%, 11.5% and 15.5% of our revenue, respectively. For details, please see the section headed "Business — Our Customers — Top Five Largest Customers". With regards to sales to our customers by end-user luxury brands, sales to our largest end-user luxury brand, Louis Vuitton, accounted for 21.8%, 50.0% and 34.7% of our revenue for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. For details, please see the section headed "Business — Our Customers — Revenue by Major End-user Luxury Brands" in this Prospectus. The total number of our customers was 122 for each of the years ended 31 March 2016 and 2017 and 83 for the four months ended 31 July 2017. We have established strong relationships with our customers. In particular, a majority of our five largest customers had at least three years of business relationship with us during the Track Record Period.

OUR SUPPLIERS AND SUBCONTRACTORS

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

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

We generally do not enter into long-term contracts with our suppliers and subcontractors and our orders are placed on an order-by-order basis according to our project schedule. We have established long-term relationships with our five largest suppliers for over five years on average. Over the years, we have been working closely with them and have maintained good relationships.

SUMMARY

SALES AND MARKETING

As at the Latest Practicable Date, our sales team consisted of five employees and was led by our CEO, Mr. Tam. Mr. Tam is generally responsible for maintaining customers' relationships and keeping abreast of market developments and potential business opportunities, while our sales team is primarily responsible for daily customer relationship maintenance. Members of our management team and sales team also meet with our end-user luxury brands and visit their headquarters to collect their feedback. We also receive referrals from the architects, designers and main contractors of end-user luxury brands from time to time. In addition, we also participate in exhibitions and trade shows worldwide as well as exhibitions organised by LVMH for their nominated suppliers.

COMPETITION

The LED lighting solutions industry is highly fragmented and competitive in Hong Kong, Asia Pacific and the globe. Retail brands typically evaluate LED lighting product and service providers on the basis of product quality, relevant experience, technical expertise, new product renovation, price and excellence of customer services. For details, please see the section headed "Industry Overview" and "Business — Competition" in this Prospectus.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe that our success and our ability to capitalise on future growth opportunities are attributable to our following strengths: (i) bespoke and professional LED lighting solutions for end-user luxury brands; (ii) long-term and well-established working relationships with world-renowned end-user luxury fashion brands; (iii) strong cooperative relationships with our suppliers and subcontractors; (iv) established reputation and proven track record; (v) innovative and customised LED solution provider; and (vi) experienced and dedicated management team. We aim to strengthen our market position in the LED lighting industry in Asia by pursuing the following strategies: (i) enhance our relationships with our existing customers and end-user luxury brands; (ii) solidify our market position in Asia by exploring opportunities for fast-fashion retail chains; (iii) strengthen our research and development capabilities and engineering expertise; (iv) continue to maintain high standards of project management and cost control; and (v) pursue suitable acquisition opportunities.

RISK FACTORS

There are certain risks involved in our operations. For details, please see the section headed "Risk Factors" in this Prospectus. Our major risk factors include, among others: (i) our key businesses are project-based and we may be unable to compete effectively or secure new contracts upon the completion of our contracts on hand; (ii) our failure to accurately estimate the time and costs required for projects may lead to cost overruns or even losses in our projects; (iii) we depend on our subcontractors to complete the installation work of our integrated LED lighting solution projects; (iv) our profit may be substantially reduced if there are changes in our component and subcontracting fee and labour costs after we have submitted our quotation; (v) we may not be able to implement our business strategies successfully; and (vi) we have limited management experience in operating our own factory in the PRC and our ability to successfully operate our new factory is subject to risks and uncertainties, the failure of which could adversely affect our business, results of operations and financial condition.

OUR SHAREHOLDERS

Upon the completion of the Share Offer, Mr. Tam (through Garage Investment) and Mr. Yeung (through Eight Dimensions), are entitled to exercise and control the exercise of 75.0% of our entire issued share capital (without taking into account any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme). Each of Garage Investment, Eight Dimensions, Mr. Tam and Mr. Yeung are regarded as our Controlling Shareholders as defined under the GEM Listing Rules. For details, please see the sections headed "Relationship with Controlling Shareholders", "Substantial Shareholders" and "History, Reorganisation and Corporate Structure — Acting in Concert Agreement" in this Prospectus.

SUMMARY

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.

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i> (unaudited)	
Revenue	42,126	67,443	16,605	18,515
Direct costs	<u>(18,935)</u>	<u>(28,560)</u>	<u>(5,993)</u>	<u>(9,089)</u>
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	<u>(1,267)</u>	<u>(4,428)</u>	<u>(934)</u>	<u>(1,121)</u>
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	<u><u>6,474</u></u>	<u><u>16,342</u></u>	<u><u>5,095</u></u>	<u><u>(3,345)</u></u>

Revenue

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	
	<i>(HK\$'000)</i>	<i>% of total</i>	<i>(HK\$'000)</i>	<i>% of total</i>	<i>(HK\$'000)</i> (unaudited)	<i>% of total</i>	<i>(HK\$'000)</i> (unaudited)	<i>% of total</i>
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	<u><u>42,126</u></u>	<u><u>100.0</u></u>	<u><u>67,443</u></u>	<u><u>100.0</u></u>	<u><u>16,605</u></u>	<u><u>100.0</u></u>	<u><u>18,515</u></u>	<u><u>100.0</u></u>

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 as a result of 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 brands. 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 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.

SUMMARY

Gross Profit and Gross Profit Margins

The following table sets forth 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
<i>For the year ended 31 March 2016</i>					
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%
<i>For the year ended 31 March 2017</i>					
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%
<i>For the four months ended 31 July 2016</i>					
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%
<i>For the four months ended 31 July 2017</i>					
Gross profit (HK\$'000)	9,305	–	121	–	9,426
Gross profit margin	51.0%	–	46.9%	–	50.9%

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, primarily due to an increase in the revenue generated from sales of LED lighting fixtures as a result of the increase in the number of orders received for LED lighting fixtures, associated with the increase in customer demand resulting from our customers' increased awareness of environmental protection practices. 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, primarily due to 17% of VAT being paid by us to the PRC government upon commencing business in the PRC in December 2016, which ultimately lowered our gross profit.

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. The increase was mainly due to the increase in gross profit margin from integrated LED lighting solution services 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 corresponding increase of resources. Our gross profit margin for the four months ended 31 July 2017 was 50.9%, which decreased compared to a gross profit margin of 63.9% for the four months ended 31 July 2016. As two of our 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, due to our limited resources, our revenue increased as a higher price was charged 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, 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.

Profit (Loss) for the Year/Period

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 a similar level for the year ended 31 March 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. Our profit after income tax decreased by HK\$8.6 million, or 168.6%, from a profit after income tax of HK\$5.1

SUMMARY

million for the four months ended 31 July 2016 to a loss after income tax of HK\$3.5 million for the four months ended 31 July 2017. The decrease in profit before income tax and profit after income tax was primarily due to the Listing expenses of HK\$6.4 million incurred and the decrease in gross profit margin for the four months ended 31 July 2017. Despite revenue having increased by HK\$1.9 million when compared to the four months ended 31 July 2016, our gross profit margin decreased from 63.9% for the four months ended 31 July 2016 to 50.9% for the four months ended 31 July 2017 due to (i) 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; and (ii) the absence of revenue generated from integrated LED lighting solution services for the four months ended 31 July 2017 whereas integrated LED lighting solution services generated a gross profit margin of approximately 68.6% for 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 of HK\$2.9 million for the four months ended 31 July 2017.

Key Consolidated Statements of Financial Position

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

	<u>As at 31 March</u>		<u>As at 31 July</u>
	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>
Non-current assets	828	583	864
Current assets	28,768	50,292	47,273
Current liabilities	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	299	289	351
Net assets	14,453	10,795	7,450
Total equity	14,453	10,795	7,450

Our net current assets decreased from HK\$13.9 million as at 31 March 2016 to HK\$10.5 million as at 31 March 2017 and further decreased to HK\$6.9 million as at 31 July 2017. The decrease in net current assets from 31 March 2016 to 31 March 2017 was primarily due to the declaration of an interim dividend for the year ended 31 March 2017 and the decrease in net current assets from 31 March 2017 to 31 July 2017 primarily due to the payment of Listing expenses for the period.

Selected Cash Flow Data

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

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>	
			(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

KEY FINANCIAL RATIOS

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

SUMMARY

	As at or for the year ended 31 March		As at or for the four months ended 31 July 2017
	2016	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%.

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 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.

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, 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.

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 is not applicable to our Group as at 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 due to the bank borrowing of HK\$1.7 million as at the four months ended 31 July 2017.

CONTRACT BACKLOG

We completed 477, 559 and 233 LED lighting projects for the two years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. As at the Latest Practicable Date, we had a total of 39 projects on hand with a total contract sum of approximately HK\$4.4 million. The following table sets forth the movement of LED lighting projects during the Track Record Period and up to the Latest Practicable Date.

SUMMARY

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

REGULATORY NON-COMPLIANCE MATTER

We had certain historical non-compliance incidents including those involving the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). Our Directors consider that such non-compliance incidents will not have a material impact on our Group's operations and financial position. For details, please refer to the section headed "Business — Regulatory Compliance and Legal Proceedings — Regulatory Compliance — Non-compliance Matter" in this Prospectus.

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 related to the sales of LED lighting fixtures. In particular, we have been awarded a project in Hong Kong and have a prospective project in the PRC. Our prospective projects as disclosed above may not materialise. Please refer to the section headed "Risk Factors — Risks Relating 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 and which was repaid in mid-September 2017. As at the Latest Practicable Date, we did not have any unutilised banking facilities.

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.

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.

SUMMARY

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. 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.

REASONS FOR THE LISTING AND FUTURE PLANS AND USE OF PROCEEDS

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: (i) 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; (ii) supporting our ongoing working capital needs in relation to our strategies to expand our businesses, the set-up of our factory, strengthening our capabilities and enhancing our competitiveness in the LED lighting solution market; (iii) enhancing our profile, visibility, market presence and reputation to provide reassurance to our customers, world-renowned end-user luxury brands and suppliers; and (iv) enhancing employee incentive and commitment. 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" in this Prospectus for a summary of principal terms of the scheme.

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 mainly in the following manner from the Latest Practicable Date to 31 March 2020:

- approximately HK\$14.5 million, representing approximately 30.9% to set up our own factory in support of our corporate strategies and business plans. We believe that the set-up of our own factory will enable us to monitor and control the quality of our LED lighting fixtures, reduce the reliance on our suppliers, expand our market share and solidify our market position, capture part of the profit margin earned by our current suppliers, and reduce our costs by economies of scale in production;
- approximately HK\$5.9 million, representing approximately 12.6% for recruiting high calibre talent in lighting design, sales and marketing, and research and development in the Hong Kong office;
- approximately HK\$17.9 million, representing approximately 38.2% for pursuing suitable acquisitions of (i) a supplier or contractor based in the PRC possessing relevant qualifications for installation of LED lighting products; (ii) a company based in the PRC specialising in the supply of technical components and possessing the relevant licences and/or permits for the production and sales of such components; and/or (iii) a lighting consultancy or design company based in Hong Kong;
- approximately HK\$5.1 million, representing approximately 10.9% for enhancing our ERP system, including upgrading our inventory system to integrate and streamline our business operations while controlling costs;
- approximately HK\$2.6 million, representing approximately 5.5% for expanding and upgrading the workshop and office in Hong Kong; and
- approximately HK\$0.9 million, representing approximately 1.9% for working capital and general corporate purpose.

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.

SUMMARY

	From the Latest Practicable Date to 31 March 2018	Six months ending			31 March 2020 ⁽¹⁾	Total
		30 September 2018	31 March 2019	30 September 2019		
		HK\$ million	HK\$ million	HK\$ million		
Setting up a factory⁽¹⁾						
- 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

Note:

(1) See the paragraph headed “Future Plans and Use of Proceeds – Implementation Plan” in this Prospectus for further details.

For further details, please see the section headed “Future Plans and Use of Proceeds” in this Prospectus.

As we outsourced the production of all LED lighting fixtures during the Track Record Period, we have limited management experience in operating our own factory in the PRC and our ability to successfully operate our new factory is subject to risks and uncertainties, the failure of which could adversely affect our business, results of operations and financial condition. For details of risks relating to the set-up of our factory, please see the section headed “Risk Factors” in this Prospectus.

SHARE OFFER STATISTICS

Market capitalisation upon Listing	HK\$200,000,000 to HK\$400,000,000
Number of Offer Shares	250,000,000 Shares (subject to the Offer Size Adjustment Option)
Offer Price per Share	HK\$0.20 to HK\$0.40
Unaudited pro forma adjusted consolidated net tangible assets per Share	HK\$0.0419 to HK\$0.0877

For further details, please see the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this Prospectus.

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.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following words and expressions have the following meanings.

“Accountants’ Report”	our accountants’ report set out in Appendix I to this Prospectus
“Acting in Concert Agreement”	the acting in concert agreement dated 25 August 2017 entered into among Garage Investment, Eight Dimensions, Mr. Tam and Mr. Yeung in relation to the acting in concert arrangement among them, details of which are disclosed in the section headed “History, Reorganisation and Corporate Structure — Acting in Concert Agreement” in this Prospectus
“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person(s)
“APAC”	the Asia Pacific region, but for the purpose of this Prospectus and for geographical reference only and except where the context requires, references in this Prospectus to “APAC” covers Asia and Oceania
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them that are used in connection with the Public Offer
“Articles of Association” or “Articles”	the articles of association of the Company, conditionally adopted on 22 December 2017 and with effect from the Listing Date, and as amended from time to time, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Companies Law” in Appendix III to this Prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Bluelite Concept”	Bluelite Concept Limited (保麗概念有限公司), a company incorporated in Hong Kong with limited liability on 15 December 2009 and a direct wholly-owned subsidiary of Pangaea
“Bluelite Illumination”	Bluelite Illumination Limited (保麗照明有限公司), a company incorporated in Hong Kong with limited liability on 30 May 2014 and a direct wholly-owned subsidiary of Pangaea
“Board” or “Board of Directors”	the board of directors of the Company
“Business Day”	any day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands

DEFINITIONS

“Capitalisation Issue”	the issue of 749,999,000 Shares to be made upon capitalisation of an amount of HK\$749,999 standing to the credit of the share premium account of our Company as referred to under the paragraph headed “A. Further Information about our Group — 3. Written Resolutions of the Shareholders Passed on 22 December 2017” in Appendix IV to this Prospectus
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of the HKSCC in relation to CCASS, containing the practises, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	Mr. Tam
“China” or “PRC”	People’s Republic of China but, for the purpose of this Prospectus and for geographical reference only and except where the context requires, references in this Prospectus to “China” and the “PRC” do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	IMS Group Holdings Limited (英馬斯集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 February 2017
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and, in the context of this Prospectus, means Mr. Yeung, Mr. Tam, Eight Dimensions and Garage Investment
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“CT 2015”	CT 2015 Limited (創2015有限公司), a company incorporated in Hong Kong with limited liability on 20 April 2015 and a direct wholly-owned subsidiary of Pangaea
“Deed of Indemnity”	the deed of indemnity dated 5 January 2018 entered into by the Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for its subsidiaries) with particulars set out in the paragraph headed “E. Other Information — 1. Tax and other Indemnity” in Appendix IV to this Prospectus
“Deed of Non-Competition”	the deed of non-competition dated 5 January 2018 entered into by the Controlling Shareholders in favour of our Company with particulars set out in the section headed “Relationship with Controlling Shareholders” in this Prospectus
“Director(s)”	the director(s) of the Company
“Eight Dimensions”	Eight Dimensions Investment Limited, a company incorporated in the BVI with limited liability on 14 February 2017, which is wholly-owned by Mr. Yeung. Eight Dimensions is a Controlling Shareholder, holding 33.75% of the total issued share capital of the Company upon Listing (assuming the Offer Size Adjustment Option is not exercised and no Shares will be issued pursuant to the exercise of the options under the Share Option Scheme)
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent market research and consulting company
“Frost & Sullivan Report”	an industry report issued by Frost & Sullivan

DEFINITIONS

“Garage Investment”	The Garage Investment Limited, a company incorporated in the BVI with limited liability on 14 February 2017, which is wholly-owned by Mr. Tam. Garage Investment is a Controlling Shareholder, holding 41.25% of the total issued share capital of the Company upon Listing (assuming the Offer Size Adjustment Option is not exercised and no Shares will be issued pursuant to the exercise of the options under the Share Option Scheme)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“GEM website”	the internet website at www.hkgem.com operated by the Stock Exchange for the purposes of GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries and the business operated by them or their predecessors (as the case may be)
“HKFRS”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IMS 512”	IMS 512 Limited (formerly known as IMS Communication Limited), a company incorporated in Hong Kong with limited liability on 2 April 2003 and a direct wholly-owned subsidiary of Pangaea

DEFINITIONS

“IMS Contracting”	IMS Contracting Limited, a company incorporated in Hong Kong with limited liability on 30 May 2014 and a direct wholly-owned subsidiary of Pangaea
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not our connected persons (within the meaning of the GEM Listing Rules)
“Issuing Mandate”	the general unconditional mandate granted to the Directors by the Shareholders in relation to the issue of new Shares, further information of which is set out in the paragraph headed “A. Further Information about our Group — 3. Written Resolutions of the Shareholders Passed on 22 December 2017” in Appendix IV to this Prospectus
“Joint Bookrunners” or “Joint Lead Managers”	Kingsway Financial and Bluemount Securities Limited
“Kingsway Capital” or “Sole Sponsor”	Kingsway Capital Limited, the sponsor for the Share Offer and a corporation licenced under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Kingsway Financial”	Kingsway Financial Services Group Limited, one of the Joint Bookrunners and Joint Lead Managers for the Share Offer and a corporation licenced under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities
“Latest Practicable Date”	3 January 2018, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus prior to its publication
“Legal Counsel”	Mr. Julian C.P. Yeung, barrister-at-law of Hong Kong
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which trading of the Shares first commence on GEM, which is expected to be on Thursday, 25 January 2018
“Louis Vuitton”	a well-known fashion and luxury retailer brand under one of the group companies of the LVMH Group
“LVMH”	LVMH Moët Hennessy Louis Vuitton SE, a French multinational luxury goods conglomerate, headquartered in Paris, France
“LVMH Group”	a world renowned fashion group within the luxury goods industry, comprising of various group companies carrying well-known fashion and luxury retailer brands, including Louis Vuitton, Bvlgari, Christian Dior and Fendi

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of the Company adopted on 22 December 2017 with immediate effect and as amended from time to time
“MISG Investment”	MISG Investment Limited, a company incorporated in the BVI with limited liability on 16 February 2017 and a direct wholly-owned subsidiary of the Company
“MIS Technology Project”	MIS Technology Project Limited (formerly known as Focal Technology Limited (和高科技有限公司)), a company incorporated in Hong Kong with limited liability on 3 September 1999 and a direct wholly-owned subsidiary of MISG Investment
“MIS Technology Consultants”	MIS Technology Consultants Limited (formerly known as South China House of Technology (Project) Limited), a company incorporated in Hong Kong with limited liability on 29 April 1998 and a direct wholly-owned subsidiary of the Company
“MPF Scheme”	A scheme launched in December 2000 in Hong Kong pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) to help the ageing workforce save for their retirement
“Mr. Cheung”	Mr. Cheung Lap Shun, a former director and shareholder of various subsidiaries of our Group in Hong Kong
“Mr. Tam”	Mr. Tam Yat Ming Andrew (談一鳴), an executive Director and one of our Controlling Shareholders
“Mr. Yeung”	Mr. Yeung Wun Tang Andy (楊援騰), an executive Director and one of our Controlling Shareholders
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027% payable thereon) which will be not more than HK\$0.40 per Share and is expected to be not less than HK\$0.20 per Share at which the Offer Shares are to be offered under the Share Offer, to be determined as further described in the section headed “Structure and Conditions of the Share Offer” in this Prospectus
“Offer Share(s)”	collectively, the Placing Shares and the Public Offer Shares
“Offer Size Adjustment Option”	the option granted by the Placing Underwriters in the event that the size of the Share Offer is less than HK\$100 million, exercisable by the Joint Bookrunners (for itself and on behalf of the Placing Underwriters), pursuant to which the company may be required to allot and issue up to an aggregate of 37,500,000 additional new Shares, representing 15% of the initial size of the Share Offer, to cover over-allocations in the Placing, as described in the section

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	headed “Structure and Conditions of the Share Offer — Offer Size Adjustment Option” in this Prospectus
“Pangaea”	Pangaea Holdings Limited, a company incorporated in the BVI with limited liability on 14 May 2014 and a direct wholly-owned subsidiary of the Company after completion of the Reorganisation
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of the Company for cash at the Offer Price with selected institutional, professional and/or other investors in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this Prospectus
“Placing Share(s)”	the 225,000,000 new Shares being offered by the Company for subscription at the Offer Price under the Placing, subject to the Offer Size Adjustment Option set forth in the section headed “Structure and Conditions of the Share Offer” in this Prospectus
“Placing Underwriters”	the underwriters of the Placing
“Placing Underwriting Agreement”	the conditional underwriting agreement in relation to the Placing to be entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Placing” in this Prospectus
“PRC Legal Adviser”	China Commercial Law Firm, Guang Dong, legal adviser to the Company as to the PRC laws
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into by the Joint Lead Managers (on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Wednesday, 17 January 2018, or such other date as may be agreed between our Company and the Joint Bookrunners (for itself and on behalf of the Underwriters), on which the Offer Price is fixed for the purposes of the Share Offer
“Prospectus”	this prospectus issued in connection with the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this Prospectus and the Application Forms

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“Public Offer Shares”	the 25,000,000 new Shares initially being offered for subscription at the Offer Price under the Public Offer
“Public Offer Underwriters”	the underwriters of the Public Offer as listed in the section headed “Underwriting — Public Offer Underwriters” in this Prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 10 January 2018 relating to the Public Offer entered into between our Company, our Controlling Shareholders (including our executive Directors), the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer” in this Prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in this Prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares granted to the Directors by the Shareholder, further information of which is set out in the paragraph headed “A. Further Information about our Group. — 3. Written Resolutions of the Shareholders Passed on 22 December 2017” in Appendix IV to this Prospectus
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted pursuant to the resolutions passed by the Shareholders on 22 December 2017, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this Prospectus

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“Shenzhen Chuangheng”	Shenzhen CH Alliance Trading Co. Ltd. (深圳創恒聯盟貿易有限公司), a wholly foreign-owned enterprise established in the PRC on 16 September 2015, a direct wholly-owned subsidiary of CT 2015
“significant shareholder(s)”	the Shareholder(s) holding more than 5% but less than 10% interest in the Company upon Listing
“subsidiary” or “subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“Tax Adviser”	BDO Tax Limited, tax adviser to the Company on the corporate income tax exposure of the “Integrated LED lighting solution services” business segment in Indonesia, Macau, Malaysia, Singapore, Taiwan and Thailand for the years ended 31 March 2016 and 2017
“Track Record Period”	the periods comprising the two financial years ended 31 March 2016 and 2017 and the four months ended 31 July 2017
“Underwriters”	the Public Offer Underwriter(s), whose names are set out in the section headed “Underwriting — Public Offer Underwriters” in this Prospectus and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.” or “USA”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicants’/applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

GLOSSARY

This glossary contains explanations and definitions of certain terms used in this Prospectus in connection with our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“3D”	three dimensional
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
“CNC”	computer numeric control, an automation methodology that uses computer as an integral controller to operate a group of machine tools with precisely programmed commands
“CRI”	colour rendering index, a measure of how accurately a light source illuminates the true colour of objects, indicating how colours look under a light source when compared with an ideal or natural light source. The index is measured from zero to 100, with the maximum indicating that colours under the light source appear the same as they would under such ideal or natural light source
“ERP”	the enterprise resource planning system, a comprehensive software designed to integrate business processes and functions, by permitting the sharing of common data and practices in a real time environment
“GDP”	gross domestic product
“high low temperature test chamber”	a special-purpose thermostatic and humidistatic equipment which is able to accurately simulate the climate conditions in different environments.
“LED”	light-emitting diode, a semiconductor light source
“spectrometer”	a scientific optical instrument used to split light into an array of separate colours, or spectrum, for spectral analysis to show the intensity of light as a function of wavelength or of frequency. The deflection is produced either by refraction in a prism or by diffraction in a diffraction grating.
“voltage”	electromotive force or potential difference, expressed in volts

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should”, “will” or similar terms, in particular, in the sections headed “Business” and “Financial Information” in this Prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this Prospectus and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividends;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to the cautionary statements set out in this section. In this Prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this Prospectus. Any such intentions may change in light of future developments.

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You should consider carefully all the information set out in this Prospectus and, in particular, the risks and uncertainties described below before making an investment in the Shares. The occurrence of any of the following events could harm us and our Group's business, financial condition or results of operations could be materially and adversely affected by any of these risks. If these events occur, the trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our key businesses are project-based and we may be unable to compete effectively or secure new contracts upon the completion of our contracts on hand.

Our key businesses, sales of LED lighting fixtures and integrated LED lighting solution services, are project-based. The majority of our revenue is derived from contracts awarded by our customers on a project basis and is not recurring in nature. We are required to submit new quotations for new contracts from time to time. There is a risk that we may not succeed in obtaining the same customer's award in the future. If we are unable to maintain our competitiveness or retain our existing customers and end-user luxury brands or obtain new contracts continuously, our business, financial condition and results of operations may be materially and adversely affected. In addition, our customers and end-user luxury brands select their service provider by, among other things, evaluating the industrial expertise and reputation of the candidate. Such evaluation standards may change from time to time. There is no assurance that we will be selected in accordance with the evaluation standards of our customers or end-user luxury brands, which may adversely affect our business, financial condition and results of operations.

Our failure to accurately estimate the time and costs required for projects may lead to cost overruns or even losses in our projects.

We estimate the time and costs required for the project to determine the quotation. The actual time and costs for completing a LED lighting fixture project or an integrated LED lighting solution project may be adversely affected by various factors, including extreme bad weather, shortage and cost escalation of components and labour, unexpected additional variations to the design requested by our customers or end-user luxury brands or due to technical needs, disputes with subcontractors, accidents and other unforeseen problems or circumstances, which may be beyond our control. Any of these factors can lead to delays in completion of works or cost overruns or even unilateral termination of projects by our customers or end-user luxury brands. There is no assurance that the actual time and costs would not exceed our estimate. In addition, any failure to complete a project in accordance with the specification and quality standard on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the project concerned, which may in turn materially and adversely affect our business, financial condition and results of operations.

We depend on our subcontractors to complete the installation work of our integrated LED lighting solution projects.

We have in the past relied on and expect to continue to rely on our subcontractors to complete the installation work of our integrated LED lighting solution projects. We have established a system with respect to the selection and management of our subcontractors, including maintaining a regularly updated list of approved subcontractors and our project manager's inspection of the work quality and progress of our subcontractors. Nevertheless, we may not be able to effectively monitor the performance of these subcontractors as directly and efficiently as with our own staff. In addition, approved subcontractors may not always be readily available when our needs for outsourcing arise. If we are unable to hire approved

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and competent subcontractors, our ability to complete projects on a timely basis, or at all, could be adversely affected. If the amounts that we are required to pay for subcontractors exceed our estimates, we may suffer losses on these contracts. If a subcontractor fails to provide services as required under a contract for any reason, we may be required to source these services from third parties which may delay our project or at a higher price than anticipated, which could impact our contract profitability. If a subcontractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damage claims.

Our profit may be substantially reduced if there are changes in our component and subcontracting fee and labour costs after we have submitted our quotation.

Our component and subcontracting costs represent a significant portion of our direct costs. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2016 and 2017, our component and subcontracting fee and labour costs amounted to approximately HK\$13.9 million, HK\$23.5 million, HK\$4.5 million and HK\$8.0 million respectively, and accounted for approximately 73.4%, 82.4%, 76.9% and 87.6% respectively, of our direct costs. We prepare our quotation based on our estimated project costs (which mainly include component and subcontracting fee and labour costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers. However, the actual component and subcontracting costs will not be finalised until we have entered into formal agreements with our suppliers and subcontractors upon the award of a contract. We cannot assure you that there will not be any fluctuations in the component and subcontracting costs during such period in the future, the occurrence of which may materially and adversely affect our business, financial conditions and results of operations.

We may not be able to implement our business strategies successfully.

The LED lighting industry is highly competitive. Competition is based primarily on price, technology, quality and overall customer services. Our ability to continue to grow our business will increasingly depend on our continuing ability to successfully implement our business strategies, which include enhancing relationships with our existing customers, exploring our existing business in new markets, expanding our research and development team, as well as selectively pursuing acquisitions. We cannot assure you that we will be able to implement our strategies successfully or at all, as a result of which, our business, financial position and results of operations may be materially and adversely affected.

We have limited management experience in operating our own factory in the PRC and our ability to successfully operate our new factory is subject to risks and uncertainties, the failure of which could adversely affect our business, results of operations and financial condition.

We intend to utilise approximately HK\$14.5 million (or approximately 30.9%) of the net proceeds from the Share Offer to further develop our supply of LED lighting system business, including (i) the set-up of a new self-operated factory and staff quarters in Guangdong Province, PRC, (ii) the purchase of machinery and equipment for production; (iii) the recruitment of new staff with relevant experience to work in the factory; and (iv) the renovation of the factory. We intend to focus our new factory on the manufacture of standardised LED lighting fixtures and customised LED lighting fixtures. The new factory shall have good accessibility to high calibre staff. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this Prospectus.

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In this connection, our ability to successfully operate our new factory to reduce our costs and improve the quality of our products is subject to certain risks and uncertainties, including:

- possessing limited management experience in operating our own LED lighting fixture factory in the PRC. There is no assurance that Mr. Tam and Mr. Yeung, being the executive Directors, are able to effectively make use of their over 12 years of experience in the LED lighting solutions industry in Hong Kong and their experience accumulated throughout the years of experience in working with the LED lighting system suppliers to operate our own LED lighting fixture factory in the PRC;
- delays and cost overruns associated with the fit-out of the factory and staff quarters and/or installation of the relevant machinery and equipment due to a variety of factors, many of which may be beyond our control, such as quality of relevant contractors, issues with suppliers of manufacturing equipment and parts, and equipment malfunctions and breakdowns;
- the ability on our part to effectively operate our new factory to meet stipulated deadlines, cost and production requirements of customers;
- the ability to secure adequate supplies of components and parts in a timely manner to manufacture standardised LED lighting fixtures and customised LED lighting fixtures;
- the competence and skill sets of the new staff hired to work at the new factory; and
- no assurance that our customers will continue to place orders with us for the manufacture of standardised LED lighting fixtures and customised LED lighting fixtures in the future.

In the event that we encounter one or more of the abovementioned circumstances, the recovery of the investments associated with the set-up of the new factory may take longer than expected, or not materialise at all, which would adversely affect our business, results of operations and financial condition.

We rely on key management personnel and other employees with the required expertise and skills.

Our continued success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors are important to us. Our executive Directors, Mr. Tam and Mr. Yeung have been with us since our establishment and have over 12 years' working experience working in the LED lighting industry in Hong Kong. Our continued success is therefore dependent, to a large extent, on our ability to retain the services of our executive Directors and management team. Our management personnel and skilled employees may leave us or we may terminate their employment at any time. We cannot assure you that we will be able to retain our management personnel and skilled employees or find suitable or comparable replacements on a timely basis or at all. Moreover, if any of our management personnel or skilled employees leaves us or joins a competitor, we may lose our customers, suppliers and know-how. The loss of services of any of our management personnel and skilled employees could have a material adverse effect on our business, results of operations and financial condition.

Our historical revenue and profit margin may not be indicative of our financial performance in the future.

For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, our revenue amounted to approximately HK\$42.1 million, HK\$67.4 million and HK\$18.5 million, respectively,

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representing an increase of 60.1% from the year ended 31 March 2016 to 2017 and increase of 11.4% from the four months ended 31 July 2016 to 2017. Our gross profit amounted to approximately HK\$23.2 million, HK\$38.9 million and HK\$9.4 million for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively, representing an increase of 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. For the year ended 31 March 2016, our gross profit margin for sales of LED lighting fixtures and integrated LED lighting solution was 54.3% and 55.8%, respectively while, for the year ended 31 March 2017, our gross profit margin for sales of LED lighting fixtures and integrated LED lighting solution was 56.1% and 74.2%, respectively. For the four months ended 31 July 2016, our gross profit margin for sales of LED lighting fixtures and integrated LED lighting solution was 66.1% and 68.6%, respectively while, for the four months ended 31 July 2017, our gross profit margin for sales of LED lighting fixtures and integrated LED lighting solution was 51.0% and nil, respectively. However, such trend in our historical financial information is merely an analysis of our past performance as our business is on a project basis. The demands for our products and services may be affected by different external factors beyond our control, such as the size of the retail stores and end-user luxury brands' design specifications. Therefore, our revenue contributed by each project may vary from time to time. Furthermore, our fee collection and profit margin also depend on other factors, such as, among others, the capital expenditure plan of our customers and end-user luxury brands, the terms of the work orders and contracts, the efficiency of implementation of the work orders or contract, our ability to control the project cost and progress as expected and general market conditions. As a result, the income flow of our business may not be regular due to factors which are beyond our control. Our future performance will depend on, among other things, our ability to secure new contracts and control on our costs and will be subject to the risks set out in this section. Therefore, our historical performance does not necessarily have any positive implication or may not necessarily reflect our financial performance in the future. In addition, our profit margin may fluctuate from period to period due to factors such as the accuracy of our estimate of costs when determining the quotation, the complexity and size of the project, subcontracting changes and our pricing strategy. Also, upon commencing business in the PRC in December 2016, we will continue to be subject to the 17% of VAT from the sales of LED lighting fixtures, which will ultimately lower our gross profit as our sales in the PRC increases. There is no assurance that our profit margin will not fluctuate in the future.

We recorded operating loss before changes in working capital and cash outflow from operating activities for the four months ended 31 July 2017.

We generally grant a credit period of 0 to 30 days to our customers. However, as at 31 July 2017, we had, in aggregate, outstanding trade receivables aged more than three months of approximately HK\$8.0 million, representing approximately 58.2% of our total trade receivables as at the same date. Our collection of outstanding trade receivables may affect our cash flows from operating activities to a certain extent. 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 details, please refer to the paragraph headed "Financial Information — Net Cash From/(Used in) Operating Activities" in this Prospectus.

There is no assurance that our Group will not experience operating loss before working capital changes or periods of net cash outflow from operating activities in the future. If we cannot improve our

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collection of long outstanding trade receivables and/or our customers significantly delay or fail to pay us on a timely basis, our financial condition and results of operations may be adversely affected.

We may be exposed to credit risks due to delays and/or defaults of progress payments by our customers, which would adversely affect our cash flows or financial results.

We generally receive progress payments from our customers. Nevertheless, after the commencement of our projects, we have to incur various costs, including: (i) purchase costs of components; (ii) salary payments to our employees; and (iii) payments to our subcontractors. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments. For details of the stages of the progress payment, please refer to the section headed “Business — Credit Management” in this Prospectus.

As at 31 March 2016 and 2017 and 31 July 2017, our trade receivables amounted to approximately HK\$11.2 million, HK\$15.5 million and HK\$13.8 million, respectively, representing approximately 39.1%, 30.8% and 29.2% of the total current assets respectively. In addition, the trade receivables’ turnover days were approximately 97.7 days, 72.3 days and 96.5 days for the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, respectively. For details of the fluctuations in our trade receivables from customers and trade receivables’ turnover days, please refer to the section headed “Financial Information — Discussion of Key Consolidated Statements of Financial Position — Trade and Other Receivables — Trade Receivables” in this Prospectus. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers within the agreed credit terms or at all. Further, disputes may arise between us and our customers as to the quality and value of work properly done in a particular period, and the progress payment that we are entitled to accordingly. There is also a possibility that we may take longer than the trade receivables’ turnover days to collect payments. This will negatively affect our cash flows and financial performance.

We may not remain on our customers’ list of approved suppliers, which may lead to a decrease in sales to certain end-user luxury brands.

We have in the past and expect to continue to remain on the lists of approved suppliers of various end-user luxury brands. The end-user luxury brands have established a system with respect to the selection and management of their suppliers and will review and assess their suppliers on a regular basis. Nevertheless, as our business expands, we may not be able to effectively monitor the performance of our staff and may be unable to deliver our products and/or services at a consistent standard of quality or at the standard expected by the end-user luxury brands. If we fail to provide our products and/or services as required under a contract for any reason, we may be required to rectify the defects or improve our products and/or services, which may delay our project or lead to a higher cost than anticipated, and which could impact our profitability. If our performance does not meet the end-user luxury brands’ standard, the quality of the project may be affected, which could harm our reputation, expose us to potential litigation and damage claims, or even result in our being removed from the lists of approved suppliers and ultimately lead to a decrease in sales to certain end-user luxury brands.

Our profit may decrease as a result of the online shopping of the products of our customers, being the end-user luxury brands, and of competitors of such end-user luxury brands via online shopping platforms.

Electronic commerce has been growing at a rapid pace over the last decade. Luxury goods can now be purchased from third party online retailers or directly from the brands’ online platforms. In light of the foregoing, our customers may reduce their reliance on physical stores or suspend their expansion plans, which may have a material impact on our future financial performance.

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We face risks associated with our global operations.

During the Track Record Period, we established a global client base with a primary focus on Hong Kong, the PRC and other Asian countries or regions such as Singapore, Taiwan, South Korea, Japan, Macau and Indonesia. From time to time, we also served customers in other regions including Europe, the United States, Australia and New Zealand. Our international operations are subject to certain inherent risks, including:

- exposure to local economic, political and labour conditions;
- changes in laws, regulations, trade or monetary or fiscal policy;
- exposure to fluctuations in interest rates, foreign currency exchange rates and changes in the rate of inflation;
- tariffs, quotas, customs and other import or export restrictions and other trade barriers;
- difficulty of enforcing agreements, collecting receivables and protecting assets;
- limitations on repatriation of earnings, including withholding and other taxes on remittances and other payments by subsidiaries;
- investment restrictions or requirements;
- export and import restrictions; and
- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations.

Due to the global nature of our business, we may be required to allocate appropriate staffing to monitor our ongoing compliance matters.

Our operations may be affected by force majeure events.

Our operations may be adversely affected by political events, domestic or international terrorist events and hostilities or complications due to natural or nuclear disasters, public health or other force majeure events. These uncertainties could have a material adverse effect on the continuity of our business, results of operations and financial condition.

We may be involved from time to time in legal proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition.

We may be involved in legal proceedings and commercial or contractual disputes that may, from time to time, be significant. Typically claims may arise in the ordinary course of business, including, without limitation, commercial or contractual disputes, including warranty claims and other disputes with customers, suppliers and subcontractors; intellectual property matters; personal injury claims; environmental issues; tax matters; and employment matters. We cannot assure you that such proceedings and claims will not have a material adverse effect on our business, results of operations and financial condition.

We have historical incidents of non-compliance with certain Hong Kong regulatory requirements.

We have previously been involved in certain historical non-compliance incidents including non-compliance with certain statutory requirements in the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). If there is any conviction, we may also be subject to penalties, including a

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potential maximum fine of HK\$100,000. There is no assurance that the relevant authorities would not take any enforcement action against us. If any such enforcement action is taken and our Controlling Shareholders fail to indemnify us fully under the Deed of Indemnity, we may be required to pay certain penalties. Additionally, there is no assurance that our business and financial position and prospect will not be adversely affected. For details of such historical non-compliance incidents, please refer to the section headed “Business — Regulatory Compliance and Legal Proceedings — Regulatory Compliance — Non-compliance Matter” of this Prospectus.

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.

For the purpose of this Prospectus, our prospective projects as disclosed in this Prospectus refer to the estimated total number of our potential projects and the estimated total contract value for such projects based on the project quotations issued but not declined as at the Latest Practicable Date. For further details, please refer to the section headed “Financial Information — Recent Development” in this Prospectus.

The value of our prospective projects is not a measure defined by generally accepted accounting principles and may not be indicative of future results of operations. Our prospective projects disclosed in the Prospectus is based on the assumption that the relevant quotations issued by us will be carried out in accordance with the terms of the quotations and the relevant contract awarded will be fully performed. If (i) after we issued the quotations, if any of our potential customers decides not to engage us for our integrated LED lighting solutions and/or LED lighting fixtures; or (ii) there are subsequent changes to the terms of the quotations or re-negotiation with respect to our service fees, our prospective projects value will be subject to change. The termination or modification of any one or more projects may have a substantial and immediate effect on our prospective projects. There is no assurance that the estimated prospective projects value can be realised in full, in a timely manner, or at all, or that, even if it is realised, that such prospective projects value will result in profits as expected. As a result, you should not rely on our prospective projects information represented in this Prospectus as an indicator of our future earnings or performance.

We face risks associated with warranty claims.

We generally provide a one-year warranty period for sales of LED lighting fixtures where we provide spare fixtures for damages caused by normal use. For our integrated LED lighting solution projects, we generally provide a warranty period ranging from one year to three years, where we offer on-site inspection and solutions when issues related to our products arise. For works done by our subcontractors or fixtures provided by our suppliers that are defective, we will require such defects to be rectified by such subcontractors or suppliers. However, we cannot assure you that our subcontractors or suppliers will be able to rectify defects in accordance with requirements from our customers or end-user luxury brands. In the event that there is any significant claim raised by our customers against us for product liability or any default or failure in relation to our works, we may incur significant cost in rectifying such defects or in settling such claims and, in such event, our profitability would be adversely affected. During the Track Record Period, warranty expenses of HK\$0.1 million and HK\$0.1 million have been charged to profit or loss for the year ended 31 March 2016 and 31 March 2017, respectively, and warranty expense of HK\$31,000 previously provided for the four months ended 31 July 2017 has been reversed.

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Changes in the social, political and economic landscape of Hong Kong may materially affect our business.

Our performance and financial condition is heavily dependent on the state of the social, political environment and economy in Hong Kong. For the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, approximately 38.4%, 49.3% and 9.1% of our revenue was derived in Hong Kong. Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. In the event that there are any changes of such political arrangements, our financial position and results of operations may be materially and adversely affected. In addition, demand for our services is principally connected to the number of luxury retail shops newly launched, which in turn will be affected by the level of retail sales in Hong Kong. Therefore, we may be affected by the fluctuation in retail consumption in Hong Kong. Any major changes to the social, political and economic landscape of Hong Kong will have a significant impact on the retail consumption in Hong Kong and in turn adversely affect our business and future growth. Furthermore, if there were any material adverse changes in other social, political and economic conditions in the region including, among others: (i) change in local government policies, rules or regulations; (ii) riots, natural disasters and other acts of god; or (iii) breakdown in the transportation system which may disrupt our material supplies, our operations, financial results and profitability may be adversely affected.

Our performance is dependent on global economic conditions and the retail performance of luxury goods, which may be adversely affected by a recurrence of severe acute respiratory syndrome, an outbreak of other epidemics, natural disasters, acts of war, terrorist attacks or other events, thereby affecting our prospects.

The majority of our customers are either world-renowned luxury brands or their main contractors. In recent years, the slowdown of economic growth in the Asia-Pacific and other major economic zones, as well as the weakness of the economic recovery in Europe, has resulted in continued uncertainty regarding global economic prospects. There has been a decrease in the revenue generated from the retail sales market and the overall purchases made by tourists visiting Hong Kong, especially for luxury products. An actual or anticipated further deterioration of local or global economic conditions may depress the demand for luxury goods which would have a negative impact on the expansion plans of end-user luxury brands. If the luxury retail industry experiences a downturn in the future, we will face pressure to reduce fees to maintain our competitiveness, and our operating results and financial condition may be materially and adversely affected.

Further, some countries including South Korea, Mexico, United States and Japan are susceptible to epidemics such as Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), swine flu (H1N1) and avian flu (H5N1), which may cause severe damage to their respective local economies and the global economy as a whole. If such epidemics break out in Hong Kong, or in the cities where we have or will have operations, it may result in material disruptions to our business operations, which will in turn adversely affect our financial condition. In addition, natural disasters (such as typhoons, flooding and earthquakes), acts of war, terrorist attacks and other events, many of which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business, financial condition and results of operations.

We may not be able to pay dividends.

We are a holding company with no significant operations or material assets other than the equity interests that we hold in our subsidiaries. We conduct all of our business operations through our

RISK FACTORS

subsidiaries. As a result, our ability to pay dividends is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available, by dividend or otherwise.

RISKS RELATING TO THE PRC

We established Shenzhen Chuangheng in September 2015 aiming to explore the LED lighting business in the PRC. We expect our business and financial condition and prospects may also be subject to risks of economic, political and legal developments in the PRC.

Our operations in the PRC may be subject to the uncertainties of the PRC legal system.

The PRC legal system is a civil law system based on written statutes. Unlike common law system, it is a system in which decided legal cases have little value as precedents. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. These laws, regulations and legal requirements are relatively new and are often changing and their interpretation and enforcement involve uncertainties. These uncertainties limit the reliability of legal protections available to us. As there may be changes in the PRC legal system in the future, we may not be able to adapt our operations to the changes in a timely manner, which in turn may adversely affect our operations and financial condition.

The economic, political and social conditions of the PRC, as well as the policies of the PRC government, could adversely affect the financial markets in the PRC and our business.

The PRC economy differs from the economies of most developed countries in many respects, including the PRC government's degree of involvement, level of capital reinvestment, growth rate, control of foreign exchange, allocation of resources and balance of payments position. While the PRC economy has experienced uneven growth in the past 20 years, both geographically and among various sectors of the economy. In addition, the PRC government may from time to time adopt different political and economical measures, some of which may have a negative effect on us. For example, the retail consumption in Hong Kong, in particular, the retail of luxury goods experienced slowdown partially due to the anti-corruption measures adopted by the PRC government, as a result of which, the demand for our works had been adversely affected. We cannot assure you that the PRC government will not adopt similar policies, regulations and measures that may adversely affect us in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

There is no existing market for our Shares, which may trade at a discount from the initial Offer Price.

Prior to the Share Offer, there has not been a public market for our Shares and we cannot predict the extent of investor interest in us. The Offer Price of our Shares will be determined by negotiations between us and the Joint Bookrunners (on behalf of the Underwriters) and may not be indicative of prices that will prevail in the open market following the Share Offer. Consequently, you may not be able to sell our Shares at prices equal to or higher than the Offer Price.

An active and liquid trading market for our Shares may not develop.

Prior to the Share Offer, our Shares were not traded on any market. An active and liquid trading market for our Shares may not develop or be maintained after the Share Offer. Liquid and active trading

RISK FACTORS

markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. The market price of our Shares could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our Shares, you could lose a substantial part or all of your investment in our Shares.

The market price and trading volume of our Shares may be volatile, which could result in rapid and substantial losses for our Shareholders.

The market price of our Shares may be highly volatile and could be subject to significant fluctuations. In addition, the trading volume of our Shares may fluctuate, which may cause significant price variations. Some of the factors that could negatively affect the price of our Shares, or result in fluctuations in the price or trading volume of our Shares include:

- variations in our operating results;
- failure to meet the market's earnings expectations;
- departures of key personnel;
- adverse market reaction to any indebtedness that we may incur or securities that we may issue in the future;
- changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting our business, or enforcement of these laws and regulations, or announcements relating to these matters;
- litigation and governmental investigations; and
- general market and economic conditions.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately after the Share Offer, our Controlling Shareholders will beneficially own 75.0% of our Shares. As a result, by virtue of their controlling ownership of our share capital, our Controlling Shareholders will be able to exert significant influence over our business and otherwise on matters of significance to us and our other Shareholders by voting at the general meetings of Shareholders, such as election of Directors, amount and timing of dividend payments and other distributions, the acquisition of or merger with another entity, overall strategic and investment decisions, issuance of securities and adjustment to our capital structure, and amendments to our Articles of Association. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders, and they are free to exercise their votes according to their own interests. Our Controlling Shareholders will have the power to prevent or cause a change in control of us. Without the consent of our Controlling Shareholders, we may be prevented from entering into transactions that could be beneficial to us and our other Shareholders.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

We cannot assure you that our Controlling Shareholders will not dispose of any Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

RISK FACTORS

The availability of Shares for sale in the future could reduce the market price of our Shares.

In the future, we may issue additional securities to raise capital. We may also issue securities convertible into our Shares. Any of these events may dilute your ownership interest in our Company and have an adverse effect on the price of our Shares. In addition, sales of a substantial amount of our Shares in the public market, or the perception that these sales may occur, could reduce the market price of our Shares. This could also impair our ability to raise additional capital through the sale of our securities.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law and, under Cayman Islands law, protection accorded to minority shareholders may differ from those established under the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong and other jurisdictions. Such differences may mean that the remedies available to our minority Shareholders may be different from those which they would have under the laws of Hong Kong or other jurisdictions. See “Summary of the Constitution of the Company and Cayman Companies Law” in Appendix III to this Prospectus.

Certain facts and statistics contained in this Prospectus may not be accurate and should not be unduly relied upon.

Certain facts and statistics contained in this Prospectus and data presented in the section headed “Industry Overview” and elsewhere in this Prospectus relating to the industry in which we operate have been derived, in part, from various publications, industry-related sources prepared by government officials or independent third parties and a market research report commissioned by us and prepared by Frost & Sullivan, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this Prospectus. However, these facts and statistics have not been independently verified by us. Our Company, the Joint Bookrunners, the Sole Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Share Offer do not make any representation as to the accuracy or any other facts and statistics derived from government official publications, industry-related sources and the market research report, which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practise and other problems, the statistics derived from government official publications, industry-related sources and the market research report may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Our future results could differ materially from those expressed in or implied by the forward-looking statements.

Various forward-looking statements included in this Prospectus are based on various assumptions. Our future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” in this Prospectus.

RISK FACTORS

Investors should read this entire Prospectus carefully, and we cannot assure you that any information contained in press articles or other media regarding us and the Share Offer is appropriate, accurate, complete or reliable. You should not consider any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information contained in this Prospectus.

Prior to the date of this Prospectus, there may be press information and media coverage regarding us and the Share Offer that was not disclosed in this Prospectus. Neither we nor any of the Sole Sponsor, the Joint Bookrunners, the Underwriters, our Directors, officers, employees, advisors, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any of the Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information disseminated in the media, and we do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this Prospectus, we disclaim it.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this Prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this Prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" of this Prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" of this Prospectus and in the relevant Application Forms.

OFFER SHARES ARE FULLY UNDERWRITTEN

This Prospectus is published in connection with the Share Offer. The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement, subject to agreement on pricing of the Offer Shares between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Share Offer Underwriting Agreement relating to the Share Offer is expected to be entered on or around the Price Determination Date. The Share Offer is managed by the Joint Bookrunners. Further information relating to the Public Offer Underwriters and the Share Offer and the underwriting arrangements is set out in the section headed "Underwriting" of this Prospectus. If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse.

RESTRICTIONS ON SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her/its acquisition of the Offer Shares to have confirmed that he/she/it is aware of the restrictions on offers and sales of the Offer Shares described in this Prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this Prospectus. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this Prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

The Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus. No person is authorised to give any information in connection with the Share

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Offer or to make any representation not contained in this Prospectus, and any information or representation not contained in this Prospectus must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, staff or advisers or any other person involved in the Share Offer.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out in the section headed “Structure and Conditions of the Share Offer” of this Prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme) on GEM.

No part of the share capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be void if the permission for the listing of, and dealing in, the Shares on GEM is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total issued share capital of our Company in the hands of the public. A total of 250,000,000 Offer Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (but without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

HONG KONG SHARE REGISTER AND STAMP DUTY

All the Offer Shares will be registered on the Company’s branch register of members to be maintained in Hong Kong by the Company’s branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong. The Company’s principal register of members will be maintained in the Cayman Islands by the Company’s principal share registrar and transfer office, Conyers Trust Company (Cayman) Limited, in the Cayman Islands. Only Shares registered on the Company’s branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of the Company maintained in the Cayman Islands will not be subject to the Cayman Islands stamp duty except where the Company holds interests in land in the Cayman Islands.

Unless determined otherwise by the Company, dividends in respect of Shares will be paid to the Shareholders by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or; if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on GEM and the Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stock broker or other professional advisors.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in our Shares. None of the Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding, disposing of, or dealing in our Shares or the exercise of any rights attaching to our Shares.

LANGUAGE

If there is any inconsistency between the English version of this Prospectus and the Chinese translation of this Prospectus, the English version of this Prospectus should prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this Prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

In this Prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

EXCHANGE RATE CONVERSION

Unless the context requires otherwise, translation of US\$, HK\$, RMB and EUR is made in this Prospectus, for illustration purpose only, at the rates of US\$1.00 to HK\$7.7513, HK\$1.00 to RMB1.1295 and EUR1.00 to HK\$8.8, respectively. No representation is made that any amount in HK\$, US\$, RMB or EUR could have been or could be converted at the above rates or at any other rates or at all.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Thursday, 25 January 2018. Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 8136. We will not issue temporary documents of title.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Tam Yat Ming Andrew (談一鳴)	35 Pik Uk G/F & 1/F Sai Kung New Territories Hong Kong	British
Mr. Yeung Wun Tang Andy (楊援騰)	Flat 4, 4/F Block A Mount Parker Lodge 10 Hong Pak Path Quarry Bay Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Chu Yin Kam (朱賢淦)	Flat A, 16/F, Block 1 Blessings Garden 95 Robinson Road Mid-levels Hong Kong	British
Mr. Ha Yiu Wing (夏耀榮)	Flat E, 4/F Block 6, Fu Ning Garden 25 Po Ning Road Tseung Kwan O, Kowloon Hong Kong	Chinese
Dr. Wilson Lee (李惠信)	Apartment 0173, 1/F, Tower 13 Parkview Heights, Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong	Chinese

For further information, please refer to the section headed “Directors and Senior Management” in this Prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Kingsway Capital Limited 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong
Joint Bookrunners and Joint Lead Managers	Kingsway Financial Services Group Limited 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Bluemount Securities Limited

Room 2403-05 Jubilee Centre
18 Fenwick Street
Wan Chai, Hong Kong

Legal advisers to the Company

As to Hong Kong law:

Troutman Sanders

34th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

As to Hong Kong law:

Mr. Julian C.P. Yeung

Sir Oswald Cheung's Chambers

10/F, New Henry House
10 Ice House Street
Central, Hong Kong

As to PRC laws:

China Commercial Law Firm, Guang Dong

22-23/F, Hong Kong China Travel Service Building
No. 4011, Shen Nan Road
Shenzhen, PRC

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Sole Sponsor and Underwriters

As to Hong Kong law:

Nixon Peabody CWL

in Association with JunZeJun Law Offices

5th Floor, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Reporting accountant

BDO Limited

25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Industry consultant

Frost & Sullivan International Limited

Suite 1706
One Exchange Square
8 Connaught Place
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited

1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters	Room 1, 18/F 148 Electric Road North Point Hong Kong
Principal place of business in Hong Kong	Room 1, 18/F 148 Electric Road North Point Hong Kong
Company's website	www.ims512.com (the information contained on this website does not form part of this Prospectus)
Company secretary	Mr. Chau Wing Wo (<i>CPA</i>) Room B, 26/F Tower 1 Kwun Lung Lau 20 Lung Wah Street Kennedy Town Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Tam Yat Ming Andrew (談一鳴) 35 Pik Uk G/F & 1/F Sai Kung New Territories Hong Kong Mr. Yeung Wun Tang Andy (楊援騰) Flat 4, 4/F Block A Mount Parker Lodge 10 Hong Pak Path Quarry Bay Hong Kong
Audit committee	Mr. Chu Yin Kam (<i>Chairman</i>) Mr. Ha Yiu Wing Dr. Wilson Lee

CORPORATE INFORMATION

Remuneration committee	Dr. Wilson Lee (<i>Chairman</i>) Mr. Ha Yiu Wing Mr. Tam Yat Ming Andrew
Nomination committee	Mr. Ha Yiu Wing (<i>Chairman</i>) Mr. Chu Yin Kam Dr. Wilson Lee
Cayman Island principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 2103B, 21/F, 148 Electric Road North Point Hong Kong
Compliance adviser	Kingsway Capital Limited 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong
Principal banks	Dah Sing Bank 33/F, Dah Sing Financial Centre 108 Gloucester Road Hong Kong Standard Chartered Bank (Hong Kong) Limited 26/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect.

The information has not been independently verified by us, the Sponsor, the Joint Lead Managers, the Underwriters, or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer (excluding Frost & Sullivan) nor is any representation given as to its accuracy or completeness. Accordingly, you should not place undue reliance on such information or statistics.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the global, Asia and Hong Kong LED lighting solutions industry for the period from 2011 to 2021. The report prepared by Frost & Sullivan for us is referred to in this Prospectus as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK\$450,000 which we believe reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practises advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in China and direct access to the knowledgeable experts and market participants in the fitting-out, renovation, alteration and addition industry and its industry consultants, on average, have more than three years of experience.

We have included certain information from the Frost & Sullivan Report in this Prospectus because we believe this information facilitates an understanding of the global, Asia and Hong Kong LED lighting solutions industry for the prospective investors. The Frost & Sullivan Report includes information on the global, Asia and Hong Kong LED lighting solutions industry as well as other economic data, which have been quoted in the Prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the global, Asia and Hong Kong LED lighting solutions industry. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. On this basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

INDUSTRY OVERVIEW

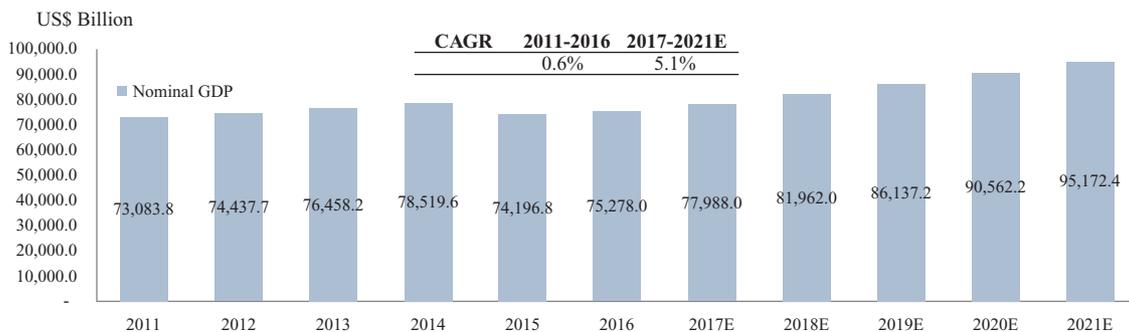
In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the global, Asia and Hong Kong LED lighting solutions industry. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: the respective global, Asia and Hong Kong economies are likely to maintain stable growth in the next decade and the global, national and regional social, economic and political environment is likely to remain stable in the forecast period. Additionally, the global, Asia and Hong Kong LED lighting solutions industry are expected to grow based on the macroeconomic assumptions of the economy. Additional key industry drivers include: smart lighting in brand building, integration of LED lighting to smart building facilities and rising awareness of environment protection.

OVERVIEW OF MACROECONOMIC ENVIRONMENT

Global Nominal GDP

The global nominal GDP increased from US\$73,083.8 billion in 2011 to US\$75,278.0 billion in 2016 at a CAGR of 0.6%, driven by the global economic recovery and supported by fiscal and monetary stimuli in major economies. In the forecasted period, the nominal GDP is expected to increase to US\$95,172.4 billion in 2021 from US\$77,988.0 billion in 2017 representing a CAGR of 5.1%. The positive economic forecast is supported by gradual economic improvement in emerging markets.

Global Nominal GDP (2011-2021E)



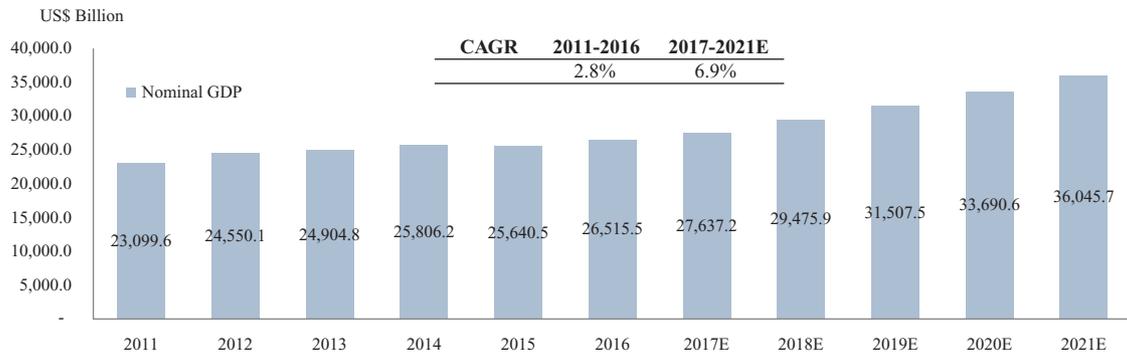
Source: International Monetary Fund, Frost & Sullivan

Asia & Pacific Nominal GDP

With Asia as the engine of the global economy, the Asia and Pacific nominal GDP experienced steady growth from US\$23,099.6 billion in 2011 to US\$26,515.5 billion in 2016, at a CAGR of 2.8%. It is expected that the nominal GDP in Asia and Pacific will reach US\$36,045.7 billion in 2021 at a CAGR of 6.9%. The estimated growth reflects the forecast of rising domestic demand that is expected to be a major driver of activity across most of the region.

INDUSTRY OVERVIEW

Asia & Pacific Nominal GDP (2011-2021E)

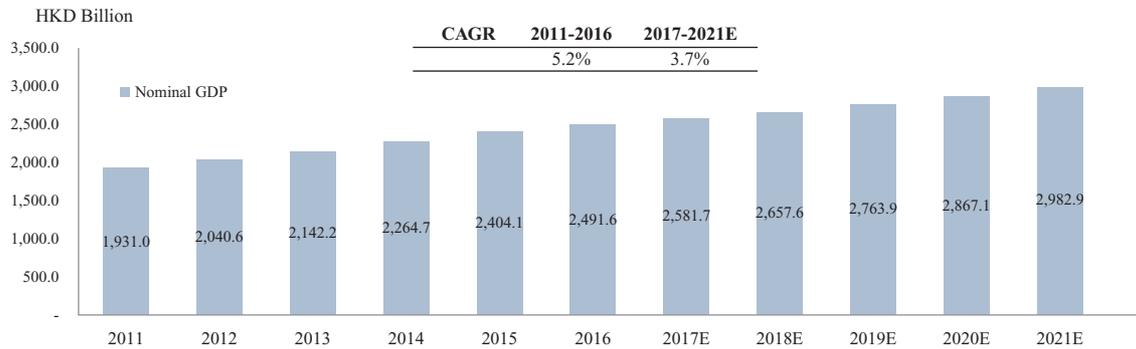


Source: International Monetary Fund, Frost & Sullivan

Hong Kong Nominal GDP

Hong Kong experienced steady growth in nominal GDP from 2011 to 2016 due to visibly improved performance and strengthened domestic demand, as well as near full employment in the labour market. In 2016, the nominal GDP of Hong Kong reached HK\$2,491.6 billion at a CAGR of 5.2%. With the continued growth of the economy, nominal GDP is expected to rise at a relatively stable level in the coming years at a CAGR of 3.7% from 2017 to 2021, reaching HK\$2,982.9 billion in 2021.

Hong Kong Nominal GDP (2011-2021E)



Source: International Monetary Fund, Frost & Sullivan

OVERVIEW OF LUXURY RETAIL MARKET

Definition and Classification

Retailing involves the process of selling consumer goods or services to customers through multiple sales channels of distribution to earn a profit, such as e-commerce platform, department stores, standalone retail outlets and shopping malls. The retail market could be divided into the mass market and luxury market tiers.

The luxury goods industry can be divided into two product types: Jewellery and Fashion. Brands in the luxury segment are characterised by exclusive distribution, a storied heritage, good quality product offering at premium prices in their respective categories.

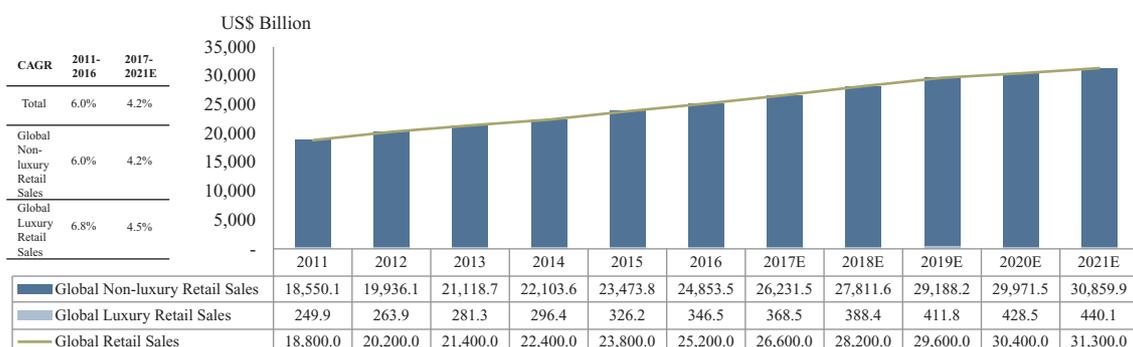
Jewellery generally refers to gold products, platinum or karat gold gem-set jewellery and diamond products. Product design, quality and value, trustworthiness and authenticity are the key focuses in the collection. Fashion includes leather, accessories and shoes, apparels, perfume and cosmetics. Usually brands with strong reputation and targeting wealthy populations are categorised as luxury fashions.

INDUSTRY OVERVIEW

Global Retail Market: Market Size and Breakdown

Retailers continue to play an important role in the supply chain and received an impetus from the global economy during the historical period. The global retail market reached US\$25,200.0 billion in 2016, recording a CAGR of 6.0% from 2011. With the stable economic performance across the globe, the global retail market is expected to climb to US\$31,300.0 billion in 2021 at a CAGR of 4.2% from 2017 to 2021. With the stable development of the global economy, the global luxury retail market recorded positive growth from US\$249.9 billion in 2011 to US\$346.5 billion with a CAGR of 6.8%. Driven by the sustained increase in global disposable income, the global luxury retail market is expected to reach US\$440.1 billion in 2021.

Global Retail Market Size by Segment, 2011-2021E

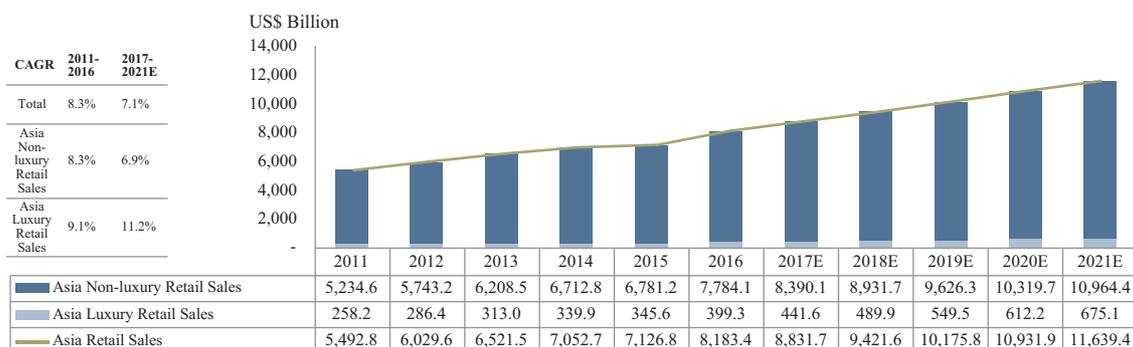


Source: Frost & Sullivan

Asia Retail Market: Market Size and Breakdown

The Asia market has long been the growth engine for global retail sales. The Asia retail market reached US\$8,183.4 billion in 2016, recording a CAGR of 8.3% from 2011. The sustained economic growth in the region continued to support the growth of the luxury retail sales that recorded a CAGR of 9.1% from 2011 to 2016. The Asia retail market is expected to rise at a CAGR of 7.1%, from US\$8,831.7 billion in 2017 to US\$11,639.4 billion in 2021. It is forecasted that the luxury retail market would outperform the total retail market and reach US\$675.1 billion in 2021, at a CAGR of 11.2% from 2017 to 2021.

Asia Retail Market Size by Segment, 2011-2021E



Source: Frost & Sullivan

Hong Kong Retail Market: Market Size and Breakdown

Retailing has long been one of the pillars of the Hong Kong economy and the retail sales experienced continued growth from HK\$464,395.2 million in 2011 to HK\$597,181.3 million in 2016, at a

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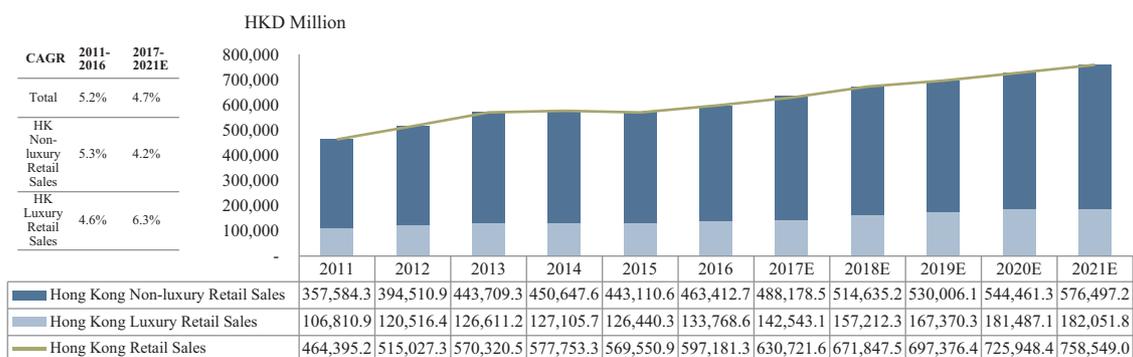
CAGR of 5.2%. Hong Kong retail sales is expected to climb to HK\$758,549.0 million in 2021, sustained by increasing disposable income and economic growth. The Hong Kong luxury retail market recorded a stable growth from HK\$106,810.9 million in 2011 to HK\$133,768.6 million in 2016 with a CAGR of 4.6%. Supported by positive economic growth, it is forecasted that Hong Kong luxury retail sales would increase to HK\$182,051.8 million in 2021 at a CAGR of 6.3% from 2017 to 2021.

Overview of Retail Decoration Market

Retail decoration generally refers to performing fitting-out works and particularly encompasses stone and marble works, drawing, partitioning, wood works, marble works, stone works, painting, carpentry and joinery works, floor carpeting, plastering works, steel and metal works, installation of drainage and wares, fittings, fixture and equipment, glazing works, painting works and wall papering, as well as decorative lightings, such as facade and interior fixtures, in retail spaces.

Luxury retail decoration refers to decoration services, especially for the physical retail store of premium goods. In the scope of this report, luxury retail decoration specifically refers to the service of layout design, millwork/furniture fabrication, showcase manufacturing, facade construction and interior fixtures, as well as lighting solutions.

Hong Kong Retail Market Size by Segment, 2011-2021E



Source: Frost & Sullivan

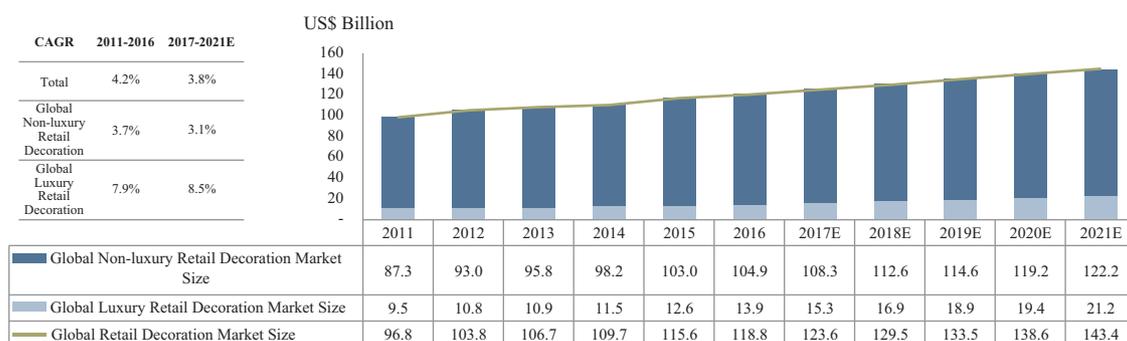
Global Retail Decoration Market: Market Size and Breakdown

Aided by the progressive growth of the retail industry, the global retail decoration market increased at a steady pace from US\$96.8 billion in 2011 to US\$118.8 billion in 2016, demonstrating a CAGR of 4.2%. It is expected that the retail decoration continues to support the growth of retail industry and maintain the developing pace with it. In 2021, the global retail decoration market is forecasted to reach US\$143.4 billion at a CAGR of 3.8% from 2017.

Global luxury retail decoration market has risen from US\$9.5 billion in 2011 to US\$13.9 billion in 2016 with a CAGR of 7.9%, and it is estimated that the global luxury retail decoration industry will follow the growing pace of the performance of luxury goods market and will likely reach US\$21.2 billion in 2021 at a CAGR of 8.5%.

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Global Retail Decoration Market Size by Segment, 2011-2021E



Source: Frost & Sullivan

Asia Retail Decoration Market: Market Size and Breakdown

Driven by the rising average disposable income, the Asia retail decoration market has recorded fast growth, from US\$29.0 billion in 2011 to US\$36.3 billion in 2016, demonstrating a CAGR of 4.6%. In 2021, the Asia retail decoration market is forecasted to reach US\$44.2 billion at a CAGR of 4.0% from 2017. The rise in Asia retail decoration is supported by the rapid development of the luxury retail decoration, which recorded a CAGR of 7.1% from 2011 to 2016 and is expected to reach US\$5.8 billion at a CAGR of 5.4% from 2017 to 2021.

Asia Retail Decoration Market Size by Segment, 2011-2021E



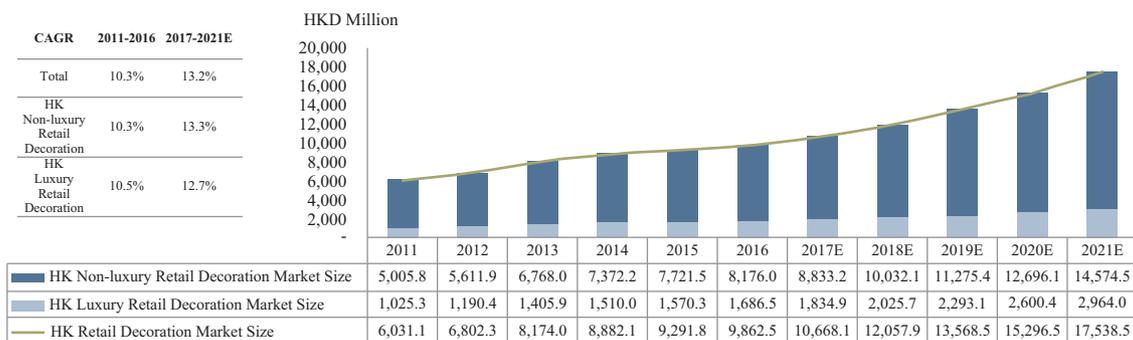
Source: Frost & Sullivan

Hong Kong Retail Decoration Market: Market Size and Breakdown

Benefiting from the healthy development of the retail market in Hong Kong, the needs for retail decoration has grown from HK\$6,031.1 million in 2011 to HK\$9,862.5 million in 2016 at a CAGR of 10.3%. It is expected that the Hong Kong retail decoration market would rise at a CAGR of 13.2%, reaching HK\$17,538.5 million by 2021. The Hong Kong luxury retail decoration market has risen from HK\$1,025.3 million in 2011 to HK\$1,686.5 million in 2016 with a CAGR of 10.5%. With the supportive tourism policies and stable economic growth, the Hong Kong luxury retail decoration market is forecasted to reach HK\$2,964.0 million in 2021, at a CAGR of 12.7% from 2017.

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Hong Kong Retail Decoration Market Size by Segment, 2011-2021E



Source: Frost & Sullivan

OVERVIEW OF LED LIGHTING MARKET

Definition and Segmentation of LED Lighting Solutions

LED lighting solutions include the provision of customised indoor (interior fixtures) and outdoor (facade) LED lighting solutions and services, which are typically part of the decoration for a building or retail store. LED lighting is applied in different locations (i.e. indoor and outdoor) by different user groups (i.e. residential, commercial, industrial and others). Compared to other traditional lighting sources such as incandescent light bulbs, LED light bulbs last 25 times longer and use at least 75% less energy. Nowadays, LED lighting is more commonly used in the high-end residential and commercial segments such as luxury retail stores to highlight the appearance of buildings and stores in order to improve visual effects and customers' experience. The following segmentations are based on type of user group, location and industry.

By User Group	By Location	By Industry	By Purpose
<ul style="list-style-type: none"> ● Commercial lighting ● Industrial lighting ● Public lighting ● Residential lighting 	<ul style="list-style-type: none"> ● Indoor lighting ● Outdoor lighting 	<ul style="list-style-type: none"> ● Mass retail ● Luxury retail ● Food and Beverage ● Entertainment & hospitality (e.g. hotels, casinos, theme parks etc.) 	<ul style="list-style-type: none"> ● General lighting ● Task lighting ● Accent lighting ● Decorative lighting

Source: Frost & Sullivan

Global Market Size of LED Lighting Solutions for Retail Market

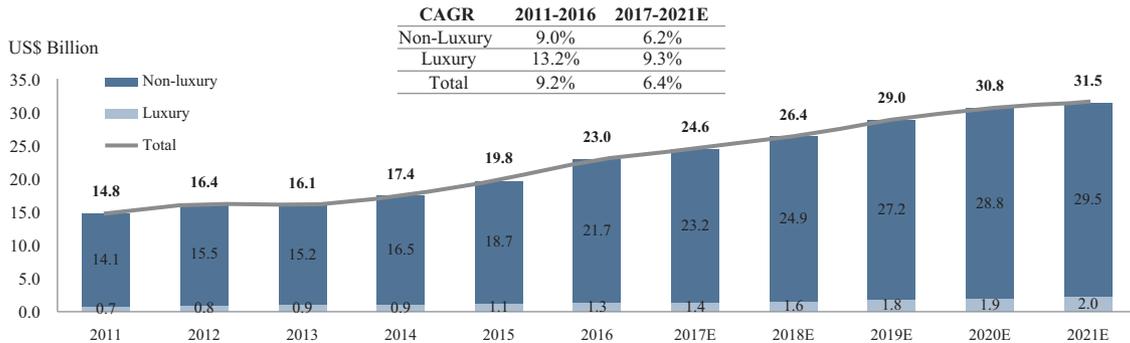
The increasing consumer demand for energy-efficient lighting systems, reduction in prices of LEDs, and high penetration of LEDs in the retail market are expected to drive the growth of global LED lighting solutions market. The global LED lighting solutions market for the retail market is expected to be valued at US\$31.5 billion by 2021 at a CAGR of 6.4% from 2017 to 2021. In particular, growth in the luxury retail market is expected to be higher than the non-luxury retail market with a market size of US\$2.0 billion by 2021 growing at a CAGR of 9.3% from 2017 to 2021.

The following market size of LED lighting for luxury retail market specifically refers to the revenue generated from the interior lighting and facade lighting solutions of the luxury retail segment in Hong

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Kong, including both new installation and retrofit installation. Trading of LED products is not included in the market size as LED lighting solutions service providers offer customers tailor-made LED products and related consulting services, which differ from general LED products available on the market. Hence, the prices of these tailor-made LED products are sold at around 10 times higher than average LED prices. The calculation of market size also takes into account of LED penetration in the luxury retail segment, which is considered to be higher than the overall LED penetration and other non-luxury retail segments.

Global LED lighting Solutions for Retail Market (2011-2021E)



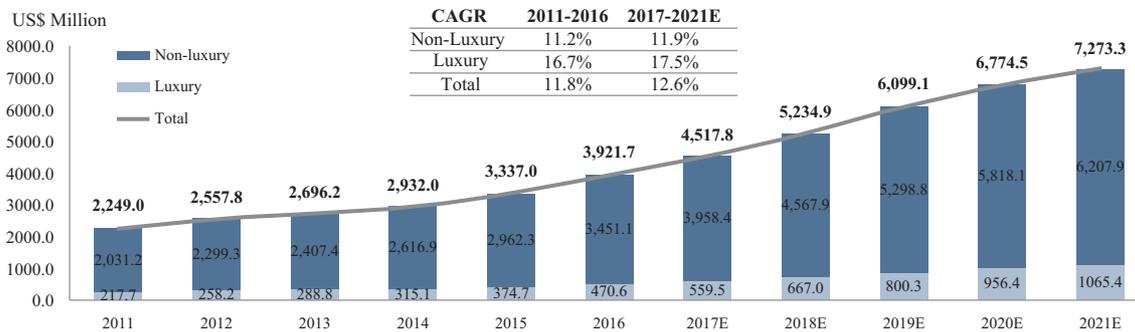
Source: Frost & Sullivan

Market Size of LED Lighting Solutions for Retail Market in APAC

Over the past five years, the growth in the LED lighting solutions for the luxury retail market in APAC has been mainly driven by the increased purchasing power in strong economies such as China, Hong Kong, Japan and South Korea, which are one of the top consumer markets for luxury goods in the world. Driven by the strong growth in the luxury retail market in APAC, LED lighting solutions has also recorded a substantial CAGR of 16.7% from US\$217.7 million in 2011 to US\$470.6 million in 2016.

APAC is expected to lead the growth in LED lighting solutions in the world, contributed by the fast-growing Southeast Asian and South Asian luxury retail market. In 2016, APAC accounted for about 36.8% of the global sales revenue generated in the luxury LED lighting solutions market. It is estimated that growth rate for the next five years from 2017 to 2021 will accelerate to a CAGR of 17.5%, reaching US\$1,065.4 million by the end of 2021.

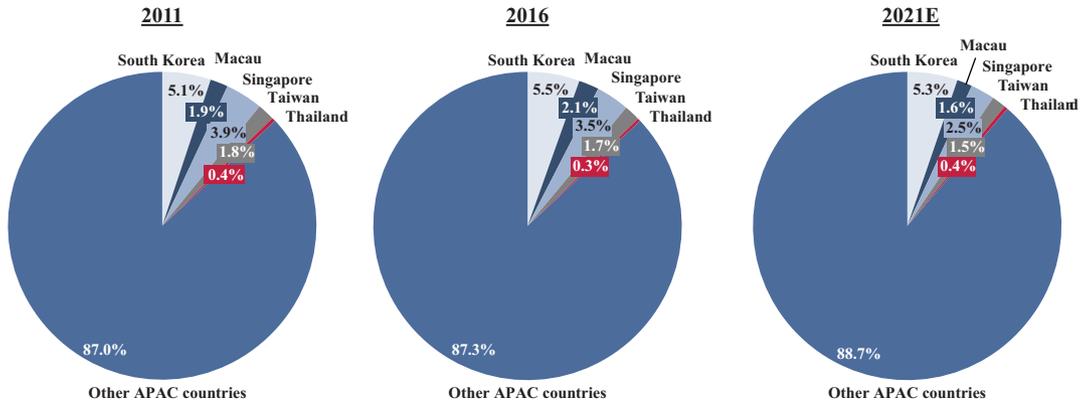
LED Lighting Solutions for Retail Market in APAC (2011-2021E)



Source: Frost & Sullivan

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LED Lighting Solutions for Luxury Retail Market in APAC



Note: Other APAC countries in the above chart excludes Hong Kong but includes mainland China, Japan and Australia etc. Hong Kong is separately presented on the global chart.

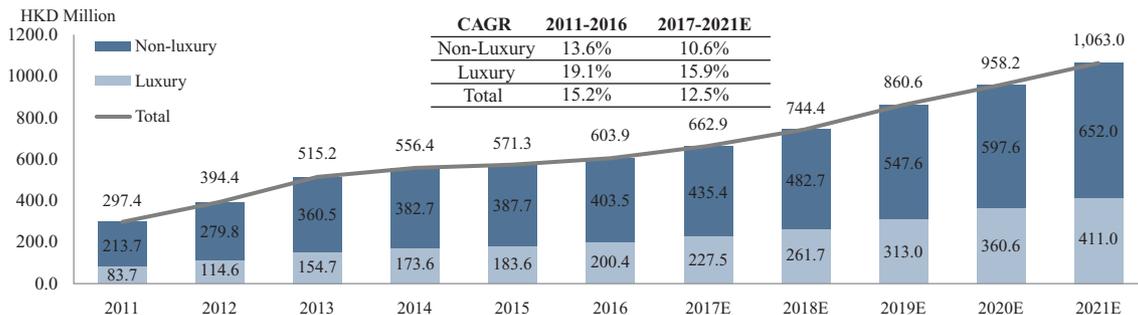
Source: Frost & Sullivan

Market Size of LED Lighting Solutions for Retail Market in Hong Kong

Following the huge drop in retail sales revenue from 2014 to 2015 in Hong Kong due to the fall in the number of tourists from mainland China, LED lighting for luxury retail segment also experienced continued slowdown in the total revenue, with year-on-year growth rate falling from 12.3% in 2014 to only 5.7% in 2015. However, the period of 2011-2016 overall saw explosive growth in the LED lighting solutions market of 19.1% due to the increasing use of LED lighting in the luxury retail segment. From 2017 to 2021, total revenue is expected to remain its fast growth at a CAGR of 15.9%, reaching HK\$411 million by 2021, due to the increasing LED penetration rate in the luxury retail segment in Hong Kong and falling cost of LED products.

Hong Kong is one of the main shopping paradises in the world with a large number of both luxury and non-luxury retail stores. With 60% of the tourists being mainland Chinese who have high purchasing power, the luxury retail market has seen huge growth for the past years. Hence, luxury retail stores have put emphasis on interior design with the use of LED lighting products to attract customers. Not only has this driven the local luxury retail sales, it has also favoured the LED lighting solutions market for the luxury retail market. In 2016, Hong Kong accounts for about 2% of the global LED lighting solutions market.

LED Lighting Solutions for Retail Market in Hong Kong (2011-2021E)



Source: Frost & Sullivan

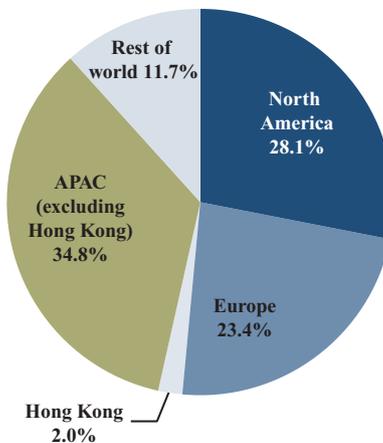
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Global LED Lighting Solutions for Luxury Retail Market by Region

This segment in Hong Kong accounted for 2.0% of the global market share in 2016. Led by the APAC market, with a market share of 34.8%, which was driven by its rapid economic growth, commercialisation and increasing demand for luxury goods. Other leading territories include North America and Europe.

The chart below sets forth the global LED lighting solutions for luxury retail market by region in 2016:

Global LED Lighting Solutions for Luxury Retail Market by Region (2016)



Source: Frost & Sullivan

Global Market Drivers

Smart Lighting in Brand Building. To provide customers with unique shopping experience, smart lighting technology is increasingly used in image building and brand recognition. Highlighting the corporate colours and logo, and implementing a common lighting concept in all outlets are becoming the mainstream among the retailers, especially for luxury brands. Lighting has long been one of the important factors to shape customers' perception of brand and products. With the advanced lighting solutions, such as LEDs, more customised lighting systems are present in the retail shops to showcase the products and services in the best conditions such as brightness, colour combination and angle, etc. Lighting is now becoming an indivisible part of sales and marketing arms in retailing, which would create growth opportunities for the LED lighting solutions providers.

Integration of LED Lighting to Smart Building Facilities. Energy-efficient lighting system with centralised control is becoming an integral part of the modern building facilities. The cost-effective LED lighting solutions, from initial conception, execution and completion, are being implemented in an increasing number of retail decoration projects to be integrated with other smart building facilities. In comparison with traditional lighting solutions, LED lights have a longer useful life and higher efficiency that lowers power consumption and costs. For example, the LED lighting control system dims the lights according to a schedule so that during daylight hours lights are dimmed to match lower lighting requirements and provides further energy savings.

Rising Awareness of Environment Protection. The society is now exploring better solutions to many environmental challenges that are faced by various industries, from manufacturing to retailing.

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Besides innovation, creativity, quality and prices, environmental protection is also a concern of the public across borders and industries. Solid work is seen in the luxury retail industry in the area of improving environmental performance and developing the systematic measures to assess the effectiveness of related policies. The leading retail brands require the contractors or suppliers to have controls in place to prevent the light hazard by the use of LED products which are more efficient and environmentally friendly. Some of them have set guidelines on the selection of LED products, from photo-biological risk, colour temperature, Unified Glare Rating to surfaces remittance angle. Restricted substances list for LEDs products have been circulated to their suppliers. The rising awareness of environmental protection gives rise to LED lightings, which promotes energy saving and minimises waste disposal. The accelerated LED technology is reflected by falling LED prices, expanding capabilities and increasing efficient manufacturing. LEDs have a better quality of light distribution and focus light on one direction as opposed to other types of lighting, therefore achieving the same level of brightness and reducing energy consumption. Also, the longer life span and lower carbon emission of LEDs help further reduce waste disposal.

Customisation in LED products. With the advanced technology in LED lighting solutions, the focus of industry is shifting to customisation. Customised services are now required in the whole engineering and production process. Electrical and software engineers prototype the product ideas by providing the full product design, from modelling, injection molds, circuit design, light optics to heat and power management. The LED lighting solution providers with customised and integrated services would differentiate from other players and benefit from the rising trends in customised LED products, especially in retail decoration.

Refurbishment and/or Renovation Cycle

In general, residential buildings require renovation, alteration and addition works after every 10 to 20 years' use. Commercial buildings represent a much higher frequency which is estimated around five to 10 years since the large consumer flow continues draining the facilities resource and the move and leave of the shops generate constant market need. The decoration and refurbishment cycle of retail shops, in which LED lighting solutions may be required, ranges from two to seven years, as a result of the change in shop concept and term of the tenancy agreement of stores leased by the customer. In light of the expected cycle in the renovation and refurbishment of retail shops, together with the increasing competition in luxury retail sales, the industry of LED lighting solutions are likely to be bolstered.

Hong Kong Market Drivers

Supportive Policies and Industry Standardisation in LED Solutions. Increasing global environmental awareness and concern has created a demand for and the supply of environmentally friendly products. The Hong Kong Green Label Scheme (HKGLS) sets environmental standards and awards its "Green Label" to products that are qualified regarding their environment attributes and/or performance. LED lighting is also qualified to be an environmentally responsible product, thus promoting a more sustainable pattern of consumption, and to be further promoted in commercial uses and residential decoration. With the continual push by industry in accelerating LED deployment in Hong Kong and the standardisation of LED products, the market potential for LED lighting in Hong Kong is tremendous. To make it easier for the public to choose energy efficient products, EMSD (Electrical & Mechanical Services Department) operates a voluntary Energy Efficiency Labelling Scheme for appliances and equipment used both at home and office as well as for vehicles. The scheme aims to inform the customers of the product's level of energy consumption and efficiency rating to promote the benefits of the environmental friendly electrical appliances, including electric storage water heaters, television sets,

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electric rice-cookers, electronic ballasts, LED lamps. The policy would further raise public awareness of energy-saving products and promote the use of them in Hong Kong.

Emerging Demand from Retail Shops Renovation. Renovation is increasingly used to shape user experiences and engage customers on a deeper level through upgrading and refurbishment of the retail shops, which includes expansion, addition and maintenance of the facilities and layout. To cater to the ever-changing market demand and the styles of products, renovation works are performed for the retail shops in certain cycles to retain existing customer base and diversify the customer portfolio at the same time. LED lighting is now becoming the indispensable part of retail shops, of which the luxury retail shops saw a growing demand in recent years, to enhance the attractiveness of product display. Visually stimulating facade and a clean interior and strategic retail layout makes a remarkable difference to customer influx and sales. With the increasingly frequent renovation of retail shops, LED lighting solutions are expected to receive the impetus from the retail market.

Increasing Use of Facade in Shopping Malls and Flagship Stores. Hong Kong has long been marked by its major financial institutions and upmarket shops as well as high-end, luxury boutiques. Places, namely Central, Causeway Bay and Tsim Sha Tsui, are the centres of shopping for medium and high-end goods, gold ornaments, clothes, and cosmetics, as well as dining; everybody can find something they like there. The flourishing luxury shopping malls and colourful facade are the icon in these regions. The mix of LED lightings and facade in the stores of various famous brands was an indispensable part of retail decoration, especially for the flagship stores and luxury retail shopping malls. The demand for lighting solutions, therefore, is derived from the retail decoration and underpinned by the shortening renovation lifecycle in Hong Kong.

Key Market Trends

Supportive LED Policies. The government is now launching policies in supporting the LED industry through financial subsidies, incentives and resources to raise the LED companies manufacturing capacity and promote the use of LED lighting in commercial segment. The focus of the policies is shifting to lighting product innovation and smart lighting application, with the rise of the Internet of Things (IoT). The supportive government policies continue to create growth opportunities for LED lighting solutions providers.

Increasing Market Penetration of LED Lighting. It is observed that the market penetration rate of LED lighting is on the rise. Lowering LED chip prices and cost effective production has further promoted the use of LED lightings, replacing the traditional lighting products. The LED lighting experiences the highest growth in the commercial segment. By switching to LED lighting, the users would benefit from saving money and experiencing an increase in energy efficiency. The market is embracing LED lighting solutions due to the improving reliability and performance that can be achieved as well as the increased time to market.

LED Technology Becoming an Indispensable Factor in Retail Lighting. When it comes to lighting, LED is becoming a vision for the future. With the cost-effective power consumption and long life span, the LED technology is used in the retail lighting where the quality of light is needed. LED solutions are enabling a wide number of applications, as well as providing the best possible light quality, which is critical in the retail design and layout. The high performance and advanced technology of LEDs is forecasted to revolutionise the lighting of the future and LED lighting would play a more important role in retail design and layout.

Tendency in Flagship Stores Upgrading. Prudent approaches are now adopted by luxury brands in expanding, especially in emerging markets. Instead of opening new stores, the luxury brands are

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consolidating the retail points by transferring the strategic focus to upgrading their flagship and core stores. Faced with increasing competition and decelerated growth in some regions, more budget has been allocated to the renovation and refurbishment of existing physical stores to maintain the competitiveness. As a result, luxury retail decoration industry, including LED lighting solutions, is expected to benefit from this development.

Market Constraints

Pressure from Expansion of Online Shopping Platform. The last decade has witnessed the rapid growth of online shopping platforms which have reshaped the shopping habits of customers and the competitive landscape of retailing. The success of online shops, such as Jumei.com and VIPshop, has promoted the retailers to formulate new strategies in sales and distribution networks. An increasing number of luxury brands have begun to establish online shops, exerting pressure on the physical retail stores and possibly impacting the needs for retail decoration, including LED lighting solutions. However, the impact on the luxury shopping experience is expected to be minimal, as it cannot be replaced by current technology.

Relatively High Average Prices and Inconsistent Standard. Besides the high efficiency and the environmentally friendly design, LED lighting also commands high prices. Despite the advanced technology and increased competition, the prices of LED lighting solutions remain relatively high, which could hinder the popularity of the market. Moreover, there is no universal standard for the blend of colours, diode sizes, lens sizes and angles, making it less user-friendly. The inconsistent standard and high price would impede the market penetration for LED lighting.

Transforming Cost Structure of Retailing. With consumers increasingly enabled by technology, their shopping habits and preferences have changed dramatically, which represents the new era of retailing. In response, the integrated and customer-centric sales and marketing model has emerged. The cost structure for retailing is changed accordingly. Technology is undoubtedly playing a more important role for the new age retailers who focus on tighter channel integration, transparent inventory visibility, seamless order management, complete customer visibility and smarter merchandising, as well as digital customer engagement. The rising trend also changed the cost structure of retailers, creating uncertainty over the traditional cost allocation, such as retail decoration cost while the budget on flagship stores is on the rise.

Entry Barriers

Difficulty in Changing to a Solution Provider. In the traditional LED lighting market, products are usually produced in a standardised style and shape to target the mass market and the market players are mainly manufacturers, wholesalers and retailers. In contrast, the modern LED lighting market put emphasis on tailor-made solutions and other value-added services. This has driven current market players to strive for better development of products and services to meet customer needs. However, it is considered difficult for new entrants who lack industry experience and know-how to shift from traditional lighting companies to a total solution provider.

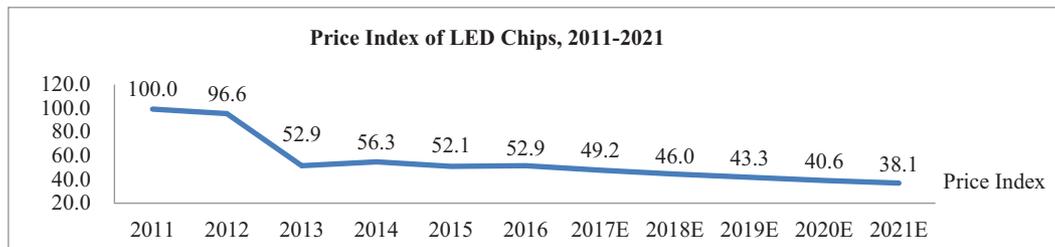
Industry Expertise and Project Management Capability. A LED lighting solution provider is required to have sufficient experience in project management and LED specific know-how in order to provide the best customised solutions for their customers. From material sourcing, product to installation instructions and after-sales service, they are expected to provide professional advice and consultations for their customers to achieve the best visual outcome. However, these are seen as one of the main entry barriers as new market entrants tend to lack project management capability and experiencing in working with top retail stores and other large-scale customers.

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Connections with Local Retail Stores and Main Contractors. In Hong Kong, LED lighting is mostly used in retail stores where presentation and atmosphere of the shop are crucial to increasing customer retention and optimise customer experience which would stimulate purchase. Hence, it is vital for LED lighting solutions service providers to develop a sustainable business relationship and network in the retail segment in order to secure deals and projects, especially with the local retail stores and main contractors or design companies who sub-contract lighting decoration. It would be relatively difficult for new market entrants to compete with the incumbent companies who have already had these local connections.

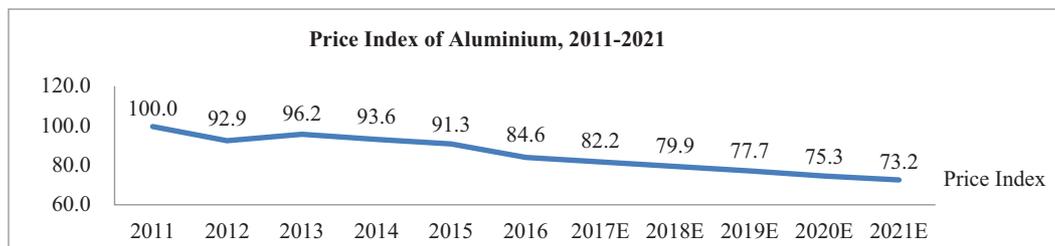
Cost Factors

LED chips are one of the major raw materials for the LED lighting solution market. The price Index refers to prices for LED chips globally. During the past five years, the average price of LED chips underwent a noticeable downturn, from price index 100 in 2011 to 52.9 in 2016. With the increasing production capacity and technology advancement in LED chips, the price index is forecasted to drop from 52.9 in 2016 to 38.1 in 2021.



Source: Frost & Sullivan

Aluminium are the major raw materials for the LED lighting fixtures. The price index of aluminium, decreased from 100 in 2011 to 84.6 in 2016. It is expected that the price index would continue to decrease from 84.6 in 2016 to 73.2 in 2021, given the sustained rise in the production of aluminium.

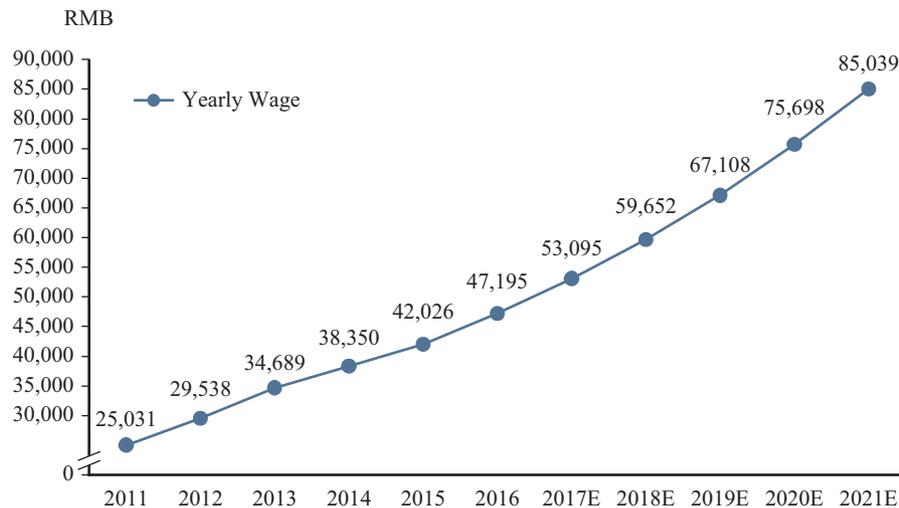


Source: Frost & Sullivan

The average yearly wage of employed persons in manufacturing industry in the PRC has demonstrated a significant growth in recent years, which was primarily due to strong demand for workers and professionals in relevant industries and elevated minimum salary standard by central and local government in the PRC. Driven by the upgrading and transformation of the manufacturing sector in the PRC, the growth in average yearly wage is expected to continue.

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Yearly Wage of Employed Persons in Urban Areas by Industry (the PRC), 2011-2021



Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF LED LIGHTING SOLUTIONS MARKET

Market Concentration

The LED lighting solutions market is highly fragmented and competitive in Hong Kong, APAC and the globe. Market players can be diversified across interior design firms, lighting consulting firms, freelance interior designers and suppliers for LED lighting products who expand their service scope to total lighting solution. It is estimated that there are more than 2,000 companies providing LED lighting solutions in Hong Kong, roughly 15,000 and 100,000 market players in APAC and the globe respectively. These LED lighting solutions providers compete in all market segments including residential, commercial, industrial and public, without any major players dominating the market. Some of them have particular business focus on certain segments. In particular, among these LED lighting solutions providers, there are approximately 15 or more LED lighting solutions providers in Hong Kong, more than 200 in APAC and more than 1,000 in the globe who provide LED lighting solutions for the luxury retail clients. In 2016, our Group accounted for approximately 8.1% (HK\$16.2 million) of the luxury LED lighting solutions market in Hong Kong, which is one of the leading players in the region.

Client Concentration

It is an industry norm for most LED lighting product and service providers in the luxury retail market to rely on a few major customers, including LVMH Group, Richemont and Kering, which demonstrate strong international presence. Luxury brands launch their stores globally at strategic locations which places much emphasis on fitting-out and layout, acting as the main contributor to the LED lighting solutions industry in the luxury retail sectors. In response to the fast-changing retail sales environment, luxury brands are relocating their stores to areas where they can have comparative advantages. LED lighting solutions companies will be engaged in the opening of new stores as well as relocation and reinstatement work of their existing stores.

Due to the nature of the industry, it is common for LED lighting solutions providers to rely on a few clients, mainly luxury retail brands, and such client concentration is not uncommon in industry in which a few leading luxury retail brands account for substantial market shares.

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Credit Period / Payment Terms

The credit period of clients is usually determined based on business relationship, credit records and current market conditions, including the currency conversion involved in the cross-border transaction and hierarchical structure of multinational companies in processing payment, which might lead to the delays in payment.

It is an industry trend that the main contractor will settle their payable to sub-contractors after they complete the projects substantially or when they receive payments from the end-customers.

Nature of Competition

As luxury brand owners put emphasis on visual alignment of their retail stores across the globe, when it comes to decorating their retail stores, they generally prefer to appoint an experienced, credible and reputable main contractor to work with store designers. Store designers would then choose between provide lighting consulting service by themselves and sub-contracting it to lighting solutions providers. As the LED lighting solutions market is a niche market and a sub-segment of interior decoration, LED manufacturing giants in the upstream segment such as Philips, Osram and Cree as well as other interior design firms are also capable of providing integrated and comprehensive service including lighting solutions service. Therefore, customer referral and contractual agreement are two common industry practises in the LED lighting solutions industry across the globe.

The following table sets forth the profiles of key active market players in the LED lighting solution market in Hong Kong:

<u>Company Name</u>	<u>Headquarters</u>	<u>Business Portfolio</u>	<u>Customer Type</u>	<u>Geographic Coverage</u>
Hong Kong				
Flora Innovative	Hong Kong	A lighting consulting company which provides customised total lighting solutions	Public spaces, Hospitality, Retail, Commercial, Educational, Transportation, Food and beverage	Asia
IMS 512	Hong Kong	A company which provides total lighting solutions, including design of customised indoor and outdoor LED lighting products, on-site consulting services, after-sales maintenance and project management	Office and luxury retail	Hong Kong, Asia, USA, Italy
SGF	Headquarters: USA Office: Hong Kong	A company which provides total lighting solutions, including indoor and outdoor LED lighting product design, customisation, installation and after-sales maintenance	Retail, Residential, Commercial, Public spaces	Asia, North America
LightLinks	Hong Kong	A lighting consulting company which provides customised total lighting solutions	Retail, Residential, Hospitality, Commercial, Public spaces	Asia
TinoKwan Lighting	Hong Kong	A lighting consulting company which provides customised total lighting solutions	Hospitality, Retail, Commercial, Food and beverage	Asia

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Note: Names on the list are active players in the LED lighting solution market but not exclusively for the luxury retail segment. Active players are companies that are constantly referred between buyers and customers from the industry's perspective. Ranking is not provided due to the following reasons: (i) given that this is a niche market where information is highly non-transparent and fragmented for conclusion and analysis; (ii) ranking that is conducted solely on competitors in the luxury retail segment is perceived to be misleading and biased; (iii) comparisons between market players in the overall LED lighting solutions market are also considered unfair and not comparable since each company offers a different range of segments, products and services.

Source: Frost & Sullivan

REGULATORY OVERVIEW

This section sets forth a summary of the major laws and regulations which are relevant to our Group's operations and business in Hong Kong, the PRC and other major jurisdictions to which we export our products.

Hong Kong

Occupational Safety and Health

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must, as far as reasonably practicable, ensure the safety and health of their employees at work by attending to the following:

- providing and maintaining plant and systems of work that are, so far as reasonably practicable, safe and without risks to health;
- making arrangements for ensuring, so far as reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing such information, instruction, training and supervision as may be necessary to ensure, so far as reasonably practicable, the safety and health at work of the employer's employees;
- as regards any workplace under the employer's control:
 - maintaining the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health; or
 - providing and maintaining means of access to and egress from the workplace that are, so far as reasonably practicable, safe and without any such risks;
- providing and maintaining a working environment for the employer's employees that is, so far as reasonably practicable, safe and without risks to health.

Failure to comply with the above provisions constitutes an offence, and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), or suspension notices against activity of workplace which may create imminent risk of death or serious bodily injury to the employees. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively, and imprisonment of up to 12 months.

Employees' Compensation

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) establishes a no-fault and non-contributory employee compensation system for work injuries, and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or death arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200,000,000 per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years.

Pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by any person who would have been liable to pay compensation to the injured employee.

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within seven days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the occurrence of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of seven and 14 days respectively, then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Employment

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Section 43C of the Employment Ordinance provides that, if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability shall be limited to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work, and to the wages due to such an employee for two months without any deductions (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date or another 90 days if permissible. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

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Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware.

A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

Mandatory Provident Fund Schemes

The MPF Scheme is defined as a contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides that an employer shall participate in an MPF Scheme and make contributions for its employees aged between 18 and 65. Under the MPF Scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes.

The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month or HK\$360,000 per year.

Occupiers Liability

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that a visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Minimum Wage

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a prescribed minimum hourly wage rate (currently at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Air Pollution Control

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction,

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industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong), and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise and arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Noise Control

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays unless prior approval has been granted by the Noise Control Authority through a system of Construction Noise Permits. Certain equipment is also subject to restrictions on when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Percussive pile-driving is allowed on weekdays only with prior approval in the form of a Construction Noise Permit from the Noise Control Authority. Any person who is in contravention of the aforesaid provisions shall be liable on a first conviction to a fine of HK\$100,000, on a second or subsequent conviction to a fine of HK\$200,000, and, in any case, to a fine of HK\$20,000 for each day during which the offence continues.

Waste Disposal

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) controls and regulates the production, storage, collection, treatment, recycling and disposal of wastes. A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges For Disposal Of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges For Disposal Of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1,000,000 or above will be required to establish a billing account with the Environmental Protection Department within 21 days after the contract is awarded to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer. The waste must be

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packaged, labelled and stored properly before disposal. Only a licenced collector can transport the waste to a licenced chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the staff of the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection. A person who, except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence, and is liable to a fine of HK\$200,000 and to imprisonment for six months for a first offence, and to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence, and, in addition, to a further fine of HK\$10,000 for each day during which the offence continues.

Competition

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) is to prohibit conduct that prevents, restricts or distorts competition in Hong Kong; to prohibit mergers that substantially lessen competition in Hong Kong, and to provide for incidental and connected matters.

The Competition Ordinance includes the First Conduct Rule, which states that an undertaking shall not make or give effect to an agreement, engage in a concerted practise, or, as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practise or decision is to prevent, restrict or distort competition in Hong Kong, and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power; and the Merger Rule, which states that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Upon breach, the Competition Tribunal may impose against offenders pecuniary penalty, director disqualifications, and prohibition, damage and other orders. For pecuniary penalty, section 93 of the Competition Ordinance enables the Competition Tribunal to award a penalty up to 10% of the turnover of the undertakings involved for up to three years in which the contravention occurs.

Inland Revenue

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) is an ordinance enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong at the standard rate, which stood as at the Latest Practicable Date at 16.5% for corporate tax payers. The Inland Revenue Ordinance also contains detailed provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciations of capital assets.

The PRC

Shenzhen Chuangheng, the principal operating entity of the Group, is located in the PRC. The operations of Shenzhen Chuangheng include the sales of LED lighting products, control systems, electrical accessories and hardware, all of which are subject to the compliance of the prevailing industrial policies, relevant laws, regulations, rules and government regulatory policies in the PRC. In respect of

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the existing business operation of Shenzhen Chuangheng, Shenzhen Chuangheng is mainly subject to the laws, regulations and departmental rules below.

Laws and Regulations Relating to Foreign Investment

The guidelines of foreign investment in different industries in the PRC are set out in the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) (the “**Catalogue**”) jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce and such catalogue will be amended and re-promulgated by these two government authorities from time to time. For the purposes of guiding foreign investment, industries are generally classified into four categories, namely the “encouraged” (鼓勵類), “permitted” (允許類), “restricted” (限制類) and “prohibited” (禁止類). Currently, only specific industries falling under the encouraged, restricted and prohibited categories are listed and what are not listed in the Catalogue would be considered to be the permitted category. The current effective version of the Catalogue was promulgated by the National Development and Reform Commission and the Ministry of Commerce on 28 June 2017 and implemented on 28 July 2017. According to the 2017 Catalogue, the wholesale, retail, logistics distribution of general merchandise are listed as the encouraged industry for foreign investment.

Wholly Foreign-owned Enterprise

Foreign-owned enterprises are subject to the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) promulgated on 12 April 1986 and amended on 3 September 2016, and the Rules for the Implementation of the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) promulgated on 12 December 1990 and amended on 19 February 2014. A wholly foreign-owned enterprise is a legal entity with the capacity to bear civil liabilities, enjoy civil rights and to own, use and sell properties independently. The registered capital of a wholly foreign-owned enterprise must be contributed by foreign investors. The liability of the foreign investor is limited to the amount of the register capital for which such investor subscribed.

Product Quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People’s Congress on 22 February 1993, effective from 1 September 1993 and amended on 27 August 2009, it is prohibited to produce or sell industrial products that do not meet the standards and requirement for safeguarding human health and ensuring human and property safety. The producer shall be responsible for the quality of the products it produces and the seller shall take measures to maintain the quality of the goods for sale.

Where anyone produces or sells products that do not comply with the relevant national or trade standards of safeguarding the health or safety of people and property, the related competent authority in-charge of product quality will order the offender to suspend the production or sale of products, confiscate the products produced or for sale, and impose a fine higher than the value of the products and less than three times of the value of the products. The illegal earnings generated from such activities, if any, which have been obtained illegally, shall also be confiscated. If the circumstances are serious, the business license of the offender shall be revoked. If the activities constitute a crime, the offender will be prosecuted.

Product Labelling

Pursuant to the Measures for the Administration of Energy Efficiency Labels (《能源效率標識管理辦法》), which was promulgated by the National Development and Reform Commission

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and the General Administration of Quality Supervision, Inspection and Quarantine in 2004, and amended on 29 February 2016 and effective from 1 June 2016, the National Development and Reform Commission shall, jointly with the General Administration of Quality Supervision, Inspection and Quarantine and the Certification and Accreditation Administration of the People's Republic of China, formulate and issue the Catalogue of the People's Republic of China on the Products Affixed with Energy Efficiency Labels 《中華人民共和國實行能源效率標識的產品目錄》 (the “**Energy Efficiency Catalogue**”), and the manufacturers and importers of energy consuming products listed in the Catalogue shall file the energy efficiency labels (the “**EELs**”) and the relevant information for record with the China National Institute of Standardisation authorised by the General Administration of Quality Supervision, Inspection and Quarantine and the National Development and Reform Commission. Manufacturers and importers shall affix EELs to the energy consuming products that have been listed in the Catalogue, print and use EELs according to the patterns and specifications as uniformly prescribed by the state and the labelling provisions, and make relevant explanations on the packages or instructions of the products.

Pursuant to the Implementing Rules on Energy Efficiency Label of Non directional self ballasted LED lamp for general lighting 《普通照明用非定向自鎮流LED燈能源效率標識實施規則》 and Catalogue of the PRC on the Products to be Affixed with Energy Efficiency Labels (2016 Edition) 《中華人民共和國實行能源效率標識的產品目錄(2016年版)》, which was promulgated by the National Development and Reform Commission, the General Administration of Quality Supervision, Inspection and Quarantine and the Quarantine and the Certification and Accreditation Administration of the People's Republic of China on 24 June 2016 and effective from 1 October 2016, fluorescent lighting products reaching certain technique standards shall be attached with energy efficiency label.

Pursuant to the Energy Conservation Law of the PRC 《中華人民共和國節約能源法》, which was promulgated by the Standing Committee of the National People's Congress on 1 November 1997 and amended on 2 July 2016, manufacturers and sellers of energy consuming products may, on voluntary basis and pursuant to the state provisions on energy conservation product authentication, apply to the energy conservation product authentication agencies acknowledged by the certification and accreditation administration department under the State Council for energy conservation product authentication. The enterprises which have passed the authentication may obtain an energy conservation product authentication certificate and use energy conservation product authentication marks on energy consuming products or their packages.

Product Certification

Pursuant to the Provisions on the Administration of Compulsory Product Certification 《強制性產品認證管理規定》, which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on 3 July 2009 and became effective on 1 September 2009, the relevant products as prescribed by the state shall be subject to certification and be given an indication of the certification mark before they leave the factory, are sold, are imported or are used in other business activities. The producers, distributors and importers of products listed in the catalogue shall authorise the certification institutions designated by The Certification and Accreditation Administration to certify the products produced, sold or imported by them. The China Compulsory Certification (CCC Certification) shall only be granted if the applicant can pass the product testing and factory inspection, during which the certification authority will inspect, among others, the production control system of the manufacturer. Annual inspection will be conducted by the certification authority after the certification has been granted.

Pursuant to the Regulations of the People's Republic of China on Certification and Accreditation 《中華人民共和國認證認可條例》, which was promulgated by the State Council on 3 September 2003 and

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became effective on 1 November 2003, and amended on 6 February 2016, in order to safeguard the national security, prevent fraudulent acts, protect human health or safety, safeguard the life or health of animals and plants, and protect the environment, no products, which must be certified as prescribed by the State, may leave the factory, or may be sold, imported or used in other business activities until after being certified and labelled with the certification marks. The State shall consolidate the catalogues of products, the compulsive requirements, standards and conformity assessment procedures of the technical norms, and the marks, as well as the charging standards for those products that must be certified.

Qualification Management

Pursuant to the Regulations on Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》), which was promulgated by the Ministry of Housing and Urban-Rural Development (“MOHURD”) on 22 January 2015, implemented as from 1 March 2015, and amended on 20 October 2016, and the Qualification Standards of Construction Enterprises (《建築業企業資質標準》), which was promulgated by the MOHURD on 6 November 2014 and implemented as from 1 January 2015, an enterprise shall apply for its construction industry qualification on the basis of its conditions including its assets, key personnel, construction projects completed and technical equipment, and may only engage in construction activities within the scope of its qualification permit after passing the qualification examination and obtaining the certificate for construction enterprise qualification. The qualifications for construction enterprises are divided into three groups, namely general construction contracting qualification, professional contracting qualification and construction labour qualification. If a company is engaged in the installation of lighting projects (including providing LED lighting installation works and related maintenance services), the company shall apply for and obtain the professional contracting qualification certificate for building decoration projects under the qualifications for construction enterprises. If a company is engaged in the installation of urban and road lighting projects, the company shall apply for and obtain the professional contracting qualification certificate for urban and road lighting projects under the qualifications of construction enterprises.

Consumer Interests Protection

Pursuant to the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), which was promulgated by the Standing Committee of the National People’s Congress on 31 October 1993 and effective from 1 January 1994, and amended on 25 October 2013, in purchasing and using commodities or receiving services, consumers shall have the right to be free from damage to their personal and property safety. Consumers suffering personal injury or property damage from their purchase or use of commodities or receipt of services shall be entitled to compensation in accordance with the law.

Import or Export of Products

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated by the Standing Committee of the National People’s Congress on 12 May 1994 and effective from 1 July 1994, and amended on 7 November 2016, any foreign trade business operator that is engaged in the import and export of goods or technology shall file registration with the administrative department of foreign trade of the State Council or the institution entrusted thereby. Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》), which was promulgated by the Standing Committee of the National People’s Congress on 22 January 1987 and effective from 1 July 1987, and amended on 7 November 2016, the consignees or consigners for imported or exported goods and the customs declaration enterprises must legally register with the customs offices for customs declaration. Engaging in customs declaration without such registration shall be prohibited.

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Pursuant to the Administrative Measures on Entry-Exit Inspection and Quarantine Application Enterprises 《出入境檢驗檢疫報檢企業管理辦法》, which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on 15 February 2015 and became effective on 1 April 2015, and amended on 18 October 2016, Applying enterprises are encouraged to file with the inspection and quarantine department before applying for inspection and quarantine.

Foreign Exchange

Pursuant to the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and effective from 1 April 1996, and amended on 5 August 2008, an overseas institution or individual that makes direct investments in the territory of the People's Republic of China shall register with a foreign exchange administrative organ upon the approval of the competent department. The state shall implement the scale management of foreign debts. Any institution or individual borrowing foreign debts shall abide by the relevant state provisions and handle the foreign debt registration formalities at a foreign exchange administrative organ. Pursuant to the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》), which was promulgated by the State Administration of Foreign Exchange on 11 May 2013 and became effective on 13 May 2013, domestic direct investment shall be subject to registration management. Institutions and individuals involved in domestic direct investment shall register with the State Administration of Foreign Exchange and its branch offices (hereinafter referred to as the “**foreign exchange authorities**”). Banks shall provide the relevant domestic direct investment service in accordance with the registration information filed with the foreign exchange authorities. The foreign exchange authorities shall supervise and administer the registration, opening and modification of accounts, capital receipts and payments, and foreign exchange settlement and sale, among others, relating to domestic direct investment.

Labour and Social Security

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》) which was promulgated by the Standing Committee of National People's Congress on 5 July 1994 and effective from 1 January 1995, and amended on 27 August 2009 and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of National People's Congress on 29 June 2007 and effective from 1 January 2008, and amended on 28 December 2012, a written labour contract shall be concluded between employer and an employee in the establishment of an employment relationship. The State implements the minimum wage protection system, and the wages which the employer pays to labourers shall not be lower than the local minimum wage standards. Employers are required to establish and improve the labour safety and health system, strictly implement the regulations and standards for state labour safety and health, and provide relevant education to their employees, prevent accidents during work and reduce occupational hazards.

The relevant departments of the state have also formulated laws and regulations in order to protect the legitimate rights and interests of employees, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (which was promulgated by the Standing Committee of National People's Congress on 28 October 2010 and effective from 1 July 2011), the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) (which was promulgated and effective by the State Council on 3 April 1994, and amended on 24 March 2002), the Regulation on Work-Related Injury Insurance (《工傷保險條例》) (which was promulgated by the State Council on 27 April 2003 and effective from 1 January 2004, and amended on 20 December 2010), the Regulation on Unemployment Insurance

REGULATORY OVERVIEW

(《失業保險條例》) (which was promulgated and effective by the State Council on 22 January 1999), the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》) (which was promulgated by the Ministry of Labour and Social Security on 14 December 1994 and effective from 1 January 1995) and the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (which was promulgated and effective by the State Council on 22 January 1999).

MAJOR JURISDICTIONS TO WHICH WE EXPORT OUR PRODUCTS

Europe

Product Certification

CE marking is a certification mark that indicates conformity relating to health, safety, and environmental protection for certain products sold within the European Economic Area (“EEA”). By affixing the CE marking to a product, a manufacturer or importer or distributor declares that the product meets all the legal requirements for the CE mark and can be sold throughout the EEA.

Macau

Customs Duties

Macau is a free port with no tariffs levied on general imported products.

Product Certification

The Product Safety Regulation (Administrative Regulation No. 17/2008), which was published on 7 July 2008, provides general legal obligations on product safety for all products placed on the Macau market. Under the Product Safety Regulation, only products that comply with the general safety requirement and as such are considered safe may be placed on the market. Safe products mean any product which, under normal or reasonably foreseeable conditions of use, does not present any risk to the consumer, or where only minimum risks are compatible with the product’s ordinary use.

Singapore

Customs Duties

Singapore is a free port and levies import duties mainly on motor vehicles, tobacco, petroleum products and liquor. Export duties are not levied on goods exported from Singapore.

Product Certification

Artificial lighting including LED light source is regulated by The Electrical and Electronic Standards Committee under the Singapore Standards Council appointed by the SPRING Singapore (Standards, Productivity and Innovation Board) (previously known as the Productivity and Standards Board). The major standard for LED lighting products is SS IEC 62717:2015: LED modules for general lighting — Performance requirements.

South Korea

Customs Duties

Customs duties are levied on imported goods generally. The Harmonised System of tariff nomenclature is adopted as a basis for the collection of customs duties. Importer should declare the

REGULATORY OVERVIEW

prescribed information of the imported goods with the customs house before entering into the Korean market. The dutiable value of the imported goods is determined in accordance with the Customs Act.

Product Certification

KC (Korea Certification) safety certification is a mandatory certification which signifies compliance with South Korea's product safety requirements for electrical and electronic equipment and components. The KC certification shall only be issued if the applicant can pass the product testing and factory inspection, during which the safety certification agency will verify if the manufacturer is in compliance with applicable safety criteria and standards. Periodic inspection will be conducted by the safety certification agency after the certification has been granted.

Taiwan

Customs Duties

Customs duties are imposed on all goods entering into Taiwan except those exempted under the Customs Act and related regulations, such as goods imported into bonded zones. Customs duties are payable by the consignees, holders of the bills of lading or holders of the imported goods, and is based on the dutiable value or the volume of the commodities.

Product Certification

BSMI (Bureau of Standards, Metrology and Inspection) mark is compulsory for products specified by the Ministry of Economic Affairs of Taiwan to comply with inspection requirements before they are shipped from the manufacturing premises or imported to and placed on the market in Taiwan. Manufacturers or importers of these products must apply to the Bureau of Standard, Metrology and Inspection for inspection to obtain the Registration of Product Certification before shipment or importation.

Thailand

Customs Duties

Pursuant to the Customs Act and the Customs Tariff Decree, customs duties are imposed on both imports and a limited number of exports. Exemptions from import duties are available on particular goods according to the Customs Tariff Decree. Preferential duty rates are available for certain imported goods from countries with a preferential free trade agreement with Thailand.

Product Certification

Electrical products regulated under the Industrial Product Standards Act are required to be inspected and certified by Thai Industrial Standards Institute and be affixed with the TISI mark. Products under the mandatory list need to comply with product safety standards and factory quality control system requirements before affixing the mandatory TISI mark. Assessment of quality control system usually involves factory inspection and the sample testing.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS HISTORY

The history of our Group started on 29 April 1998 when Mr. Tam and Mr. Yeung founded the Group. For the background and relevant experience of Mr. Tam and Mr. Yeung, please refer to the section headed “Directors and Senior Management — Executive Directors” in this Prospectus.

During the initial years of our Group’s history, we positioned ourselves to engage in the sales of visual-audio systems with the assistance of Mr. Cheung, a former director and shareholder of various subsidiaries of our Group in Hong Kong. Prior to joining the Group, Mr. Cheung first became acquainted with Mr. Tam and Mr. Yeung when working with them at South China House of Technology Consultants Limited (“**South China Technology Consultants**”), an audio and visual trading company. With a growing interest in the visual-audio systems industry, Mr. Tam partnered with South China Technology Consultants to establish MIS Technology Consultants in 1998. In 2002, Mr. Tam invited Mr. Yeung and Mr. Cheung to become shareholders of MIS Technology Consultants, and subsequently on 17 October 2002, South China Technology Consultants transferred all of its shares in MIS Technology Consultants to Mr. Tam, Mr. Yeung and Mr. Cheung. After such transfer, Mr. Tam, Mr. Yeung and Mr. Cheung held 40%, 30% and 30% of the issued shares in MIS Technology Consultants respectively.

Since 2005, due to the advances in LED technology, we began to focus our business on sales of LED lighting fixtures and integrated LED lighting solution services. As the business in sales of visual-audio systems of our Group was stagnant, we subsequently modified our business position from the exclusive sales of visual-audio systems to sales of LED lighting fixtures, provision of integrated LED lighting solution services and provision of LED lighting system consultation and maintenance services. As Mr. Cheung preferred to focus on the visual-audio business, which was different from the business position and strategy of our Group, Mr. Cheung came to the consensus with Mr. Tam and Mr. Yeung to divest his shares of the Group to set up his own visual-audio business. As a result, a change in the corporate structure and management of our Group took place in 2014, where Mr. Cheung resigned from his position as a director of, and transferred all of his shares in and each of, IMS 512, Bluelite Concept, MIS Technology Project and MIS Technology Consultants (the “**Relevant Companies**”) to Pangaea. Dividends were declared and distributed by IMS 512, MIS Technology Project and MIS Technology Consultants to their respective then shareholders, Mr. Tam, Mr. Yeung and Mr. Cheung, for the year ended 31 March 2014. The amount of dividend distributed by each of IMS 512, MIS Technology Project and MIS Technology Consultants was determined based on (i) an approximate amount of its respective retained earnings as at the year ended 31 March 2014 and (ii) on a pro rata basis according to the amounts paid up or accredited as paid up on the shares held by Mr. Tam, Mr. Yeung and Mr. Cheung in the respective companies. Further, given that the capital contribution by Mr. Cheung in the Relevant Companies was in nominal consideration, the transfers of shares of the Relevant Companies from Mr. Cheung to Pangaea were by nominal consideration paid to him. Such change in corporate structure and management was based on a mutual consensus among Mr. Tam, Mr. Yeung and Mr. Cheung.

Our Group is principally engaged in the provision of integrated LED lighting solutions. For further information in relation to our business, please refer to the section headed “Business” in this Prospectus.

The following is a summary of our Group’s key business development milestones:

- 1998 MIS Technology Consultants was incorporated in Hong Kong and we commenced our business operations in Hong Kong
- 1999 MIS Technology Project was incorporated in Hong Kong and we began to provide audio, visual and central control system design and integration service to international corporations and education institutions in Hong Kong

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- 2003 IMS 512 was incorporated in Hong Kong
- 2004 We were engaged by a French luxury retail brand to provide our first LED facade for its sizable store in Hong Kong using our RGBW LED controlling system
- 2005 We first extended our global footprint to South Korea upon being awarded two LED facade projects for a leading French luxury retail brand
- 2006 We further extended our global footprint to Southeast Asia where we worked on our first interior lighting project for a premier shopping mall in Kuala Lumpur, Malaysia
- 2009 We were engaged by a luxury fashion brand and completed our first LED facade project in New York, U.S.
- 2010 We further extended our global footprint in Southeast Asia by completing an interior lighting project for a fashion brand in Vietnam
- 2011 We started working on two facade projects for a major diamond distributor
- 2012 We were engaged by a fast-fashion brand from the U.S. and completed a facade project in Hong Kong for its first flagship store
- We extended our global footprint to Canada, South America and Australia by providing LED lighting products and services
- 2013 We extended our global footprint to Indonesia where we were engaged by a luxury fashion brand to work on a facade project with LED lighting
- 2015 We started our first LED facade consultancy project for a luxury brand where we were engaged to provide facade hardware and software design
- Shenzhen Chuangheng was established to explore business opportunities in the PRC
- 2016 We conducted our first lighting facade consultancy work for a fast-fashion brand in Ximending, Taipei
- 2017 Our Company was incorporated in the Cayman Islands as part of the Reorganisation process for the purpose of the Listing

CORPORATE DEVELOPMENT

The following describes the corporate history of the Company and its subsidiaries.

The Company

The Company was incorporated in the Cayman Islands on 15 February 2017 as a limited liability company with an authorised share capital of HK\$380,000 divided into 380,000,000 Shares and is the holding company of the subsidiaries. On 15 February 2017, one subscriber Share was issued and allotted to the initial subscriber, who on the same day transferred that one Share to Garage Investment. An additional 54 Shares were issued and allotted to Garage Investment (a total of 55 Shares) and 45 Shares were issued and allotted to Eight Dimensions on the same day.

On 23 May 2017, the Company issued and allotted 495 Shares and 405 Shares to Garage Investment and Eight Dimensions, respectively, as consideration for the transfer of 550 shares of Pangaea and 450 shares of Pangaea from Mr. Tam and Mr. Yeung, respectively, to the Company. After allotment, Garage Investment and Eight Dimensions held 550 and 450 Shares, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at the Latest Practicable Date, all allotted and issued Shares of the Company were held as to 55% by Garage Investment and 45% by Eight Dimensions. As a result of the Reorganisation, the Company directly holds all the interests in Pangaea, MISG Investment and MIS Technology Consultants and indirectly holds all the interests in the various subsidiaries in Hong Kong and the PRC as described below.

Please refer to the paragraph headed “— Reorganisation” below in this section for further details about the Reorganisation.

The Subsidiaries in the BVI, Hong Kong and the PRC

BVI

Pangaea

Pangaea was incorporated in the BVI on 14 May 2014 as a limited liability company and was authorised to issue a maximum of 50,000 shares of US\$1.00 each. On the same day, 550 shares of Pangaea were issued and allotted to Mr. Tam and 450 shares of Pangaea were issued and allotted to Mr. Yeung at the consideration of US\$1.00 per share. On 23 May 2017, each of Mr. Tam and Mr. Yeung transferred 550 shares and 450 shares of Pangaea, respectively, to the Company, at the consideration which was satisfied by the issue and allotment of 495 Shares and 405 Shares to Garage Investment and Eight Dimensions, all credited as fully-paid, respectively, at the direction of Mr. Tam and Mr. Yeung. After completion of such transfer, Pangaea was wholly-owned by the Company. It serves as the intermediate holding company.

MISG Investment

MISG Investment was incorporated in the BVI on 16 February 2017 as a limited liability company and was authorised to issue a maximum of 50,000 shares of US\$1.00 each. On the same day, 1 share of MISG Investment was issued and allotted to the Company. As at the Latest Practicable Date, MISG Investment was wholly-owned by the Company.

MISG Investment is an investment holding company.

Hong Kong

IMS 512

IMS 512 was incorporated in Hong Kong on 2 April 2003 as a limited liability company. As at its date of incorporation, IMS 512 had an authorised share capital of HK\$10,000, divided into 10,000 shares of HK\$1.00 each, of which 400 shares, 300 shares and 300 shares of IMS 512 were issued and allotted to Mr. Tam, Mr. Yeung and Mr. Cheung respectively at a consideration of HK\$1.00 per share. On 30 May 2014, each of Mr. Tam, Mr. Yeung and Mr. Cheung transferred 400 shares, 300 shares and 300 shares of IMS 512 to Pangaea, each at a nominal consideration of HK\$1.00. Upon completion of such transfers and as at the Latest Practicable Date, IMS 512 was wholly-owned by Pangaea.

IMS 512 is principally engaged in the provision and installation of lighting systems and sales of LED lighting fixtures.

Bluelite Concept

Bluelite Concept was incorporated in Hong Kong on 15 December 2009 as a limited liability company. As at its date of incorporation, Bluelite Concept had an authorised share capital of HK\$10,000, divided into 10,000 shares of HK\$1.00 each, of which 4000 shares, 3000 shares and 3000 shares of

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Bluelite Concept were issued and allotted to Mr. Tam, Mr. Yeung and Mr. Cheung respectively at a consideration of HK\$1.00 per share. On 30 May 2014, each of Mr. Tam, Mr. Yeung and Mr. Cheung transferred 4,000 shares, 3,000 shares and 3,000 shares of Bluelite Concept to Pangaea, each at a nominal consideration of HK\$1.00. On the same day, 990,000 shares of Bluelite Concept were issued and allotted to Pangaea at a consideration of HK\$1.00 per share. Upon completion of the transfers and allotment of shares and as at the Latest Practicable Date, Bluelite Concept was wholly-owned by Pangaea.

Bluelite Concept is principally engaged in the sales of LED lighting fixtures, provision of LED lighting system services and research and development.

IMS Contracting

IMS Contracting was incorporated in Hong Kong on 30 May 2014 as a limited liability company. As at its date of incorporation, IMS Contracting had an issued share capital of HK\$10,000, of which 10,000 shares of IMS Contracting were issued and allotted to Pangaea at a consideration of HK\$1.00 per share. As at the Latest Practicable Date, IMS Contracting was dormant and was wholly-owned by Pangaea.

Bluelite Illumination

Bluelite Illumination was incorporated in Hong Kong on 30 May 2014 as a limited liability company. As at its date of incorporation, Bluelite Illumination had an issued share capital of HK\$10,000, of which 10,000 shares of Bluelite Illumination were issued and allotted to Pangaea at a consideration of HK\$1.00 per share. As at the Latest Practicable Date, Bluelite Illumination was wholly-owned by Pangaea.

Bluelite Illumination is principally engaged in the trading of LED lighting products.

CT 2015

CT 2015 was incorporated in Hong Kong on 20 April 2015 as a limited liability company. As at its date of incorporation, CT 2015 had an issued share capital of HK\$10,000, of which 10,000 shares of CT 2015 were issued and allotted to Pangaea at a consideration of HK\$1.00 per share. As at the Latest Practicable Date, CT 2015 was an investment holding company and was wholly-owned by Pangaea.

MIS Technology Project

MIS Technology Project was incorporated in Hong Kong on 3 September 1999 as a limited liability company. As at its date of incorporation, MIS Technology Project had an authorised share capital of HK\$10,000, divided into 10,000 shares of HK\$1.00 each, of which one share was issued and allotted to each of Pioneer Nominees Limited and Pioneer Consultants Limited.

On 15 November 1999, Pioneer Nominees Limited and Pioneer Consultants Limited each transferred one share of MIS Technology Project to Tam Chai Man, Calvin and Additrade Limited, respectively at a consideration of HK\$1.00 per share.

On 18 April 2001, Additrade Limited transferred one share of MIS Technology Project to Chan Tsz Ching, Astrid for a consideration of HK\$1.00 per share.

On 5 December 2002, 38 shares, 30 shares and 30 shares of MIS Technology Project were issued and allotted to Mr. Tam, Mr. Yeung and Mr. Cheung, respectively at a consideration of HK\$1.00 per share.

On 6 December 2002, Tam Chai Man, Calvin and Chan Tsz Ching, Astrid each transferred one share of MIS Technology Project to Mr. Tam for a consideration of HK\$1.00 per share. After the

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

aforesaid transfer, Mr. Tam, Mr. Yeung and Mr. Cheung respectively held 40 shares, 30 shares and 30 shares of MIS Technology Project. On 30 May 2014, each of Mr. Tam, Mr. Yeung and Mr. Cheung transferred 40 shares, 30 shares and 30 shares of MIS Technology Project to Pangaea, each at a nominal consideration of HK\$1.00. Upon completion of such transfers, MIS Technology Project was wholly-owned by Pangaea. Pursuant to the sale and purchase agreement dated 17 May 2017, Pangaea transferred the entire issued share capital of MIS Technology Project to MISG Investment at a nominal consideration of HK\$3.00. After completion of such transfer and as at the Latest Practicable Date, MIS Technology Project was wholly-owned by MISG Investment.

MIS Technology Project is principally engaged in the provision and installation of visual audio systems.

MIS Technology Consultants

MIS Technology Consultants was incorporated in Hong Kong on 29 April 1998 as a limited liability company. As at its date of incorporation, MIS Technology Consultants had an authorised share capital of HK\$1,000, divided into 1,000 shares of HK\$1.00 each, of which one share was issued and allotted to each of South China House of Technology Consultants Limited and Mr. Tam at a consideration of HK\$1.00 per share. On 14 May 1998, MIS Technology Consultants further issued and allotted 69 shares and 29 shares of MIS Technology Consultants to South China House of Technology Consultants Limited and Mr. Tam, respectively at a consideration of HK\$1.00 per share. After completion of such allotments, South China House of Technology Consultants Limited and Mr. Tam respectively held 70 shares and 30 shares of MIS Technology Consultants.

On 17 October 2002, South China House of Technology Consultants Limited transferred 10 shares, 30 shares and 30 shares of MIS Technology Consultants to Mr. Tam, Mr. Yeung and Mr. Cheung, respectively, at a consideration of HK\$1.00 per share. After the aforesaid transfer, Mr. Tam, Mr. Yeung and Mr. Cheung respectively held 40 shares, 30 shares and 30 shares of MIS Technology Consultants.

On 30 May 2014, each of Mr. Tam, Mr. Yeung and Mr. Cheung transferred 40 shares, 30 shares and 30 shares of MIS Technology Consultants to Pangaea, each at a nominal consideration of HK\$1.00. Upon completion of such transfers, MIS Technology Consultants was wholly-owned by Pangaea. Pursuant to the sale and purchase agreement dated 17 May 2017, Pangaea transferred the entire issued share capital of MIS Technology Consultants to the Company at a nominal consideration of HK\$3.00. After completion of such transfer and as at the Latest Practicable Date, MIS Technology Consultants was wholly-owned by the Company.

MIS Technology Consultants is principally engaged in providing management services to the Group.

THE PRC

Shenzhen Chuangheng was established in the PRC as a wholly-foreign owned enterprise on 16 September 2015 with a paid-in capital of HK\$500,000. Since its establishment and as at the Latest Practicable Date, Shenzhen Chuangheng has been wholly-owned by CT 2015.

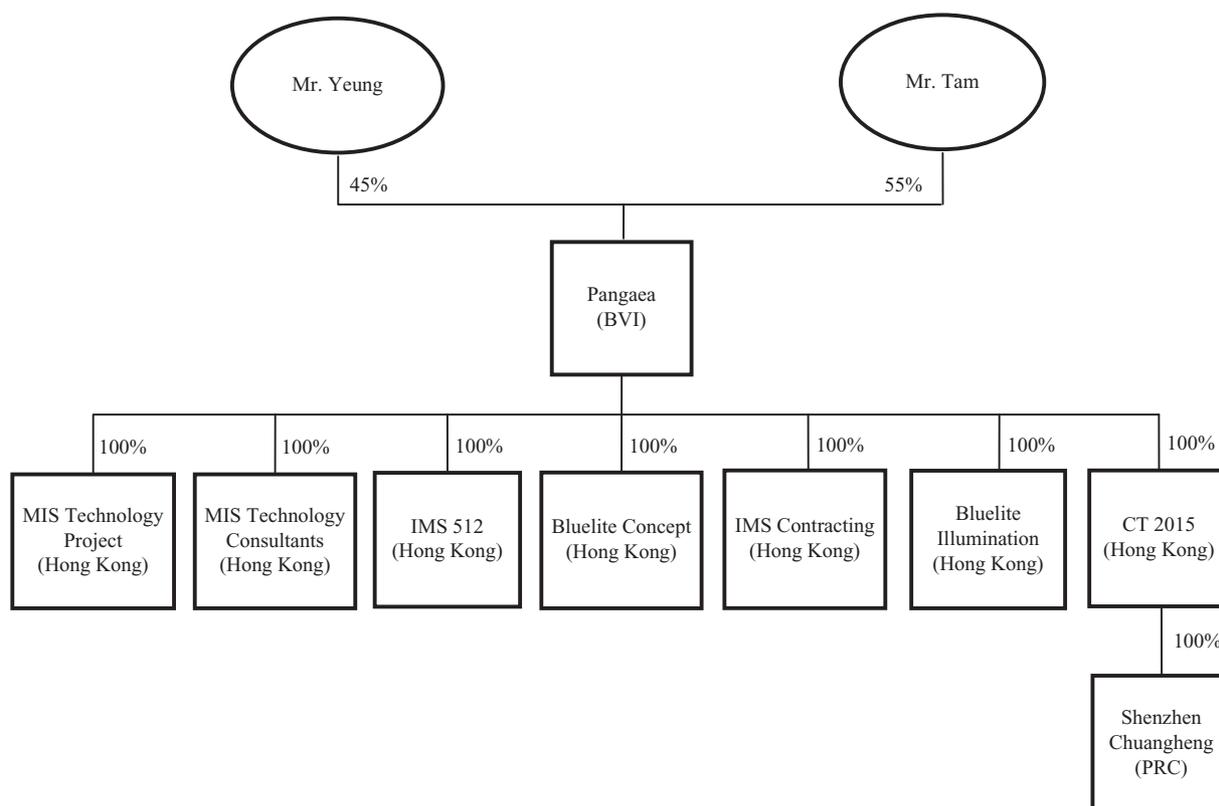
Shenzhen Chuangheng is principally engaged in the trading of LED lighting fixture and related services.

As a result of the Reorganisation, the Company currently wholly owns the abovementioned subsidiaries. Please refer to the paragraph headed “— Reorganisation” below in this section for further details about the Reorganisation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

Set out below is the shareholding and corporate structure of our Group immediately prior to the implementation of the Reorganisation:



In order to prepare for the Listing, the Company underwent the Reorganisation which involved the following steps:

(1) Incorporation of Companies

On 14 February 2017, Garage Investment was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US\$1.00 each. One share in Garage Investment was issued and allotted to Mr. Tam at par value on the same day and Garage Investment has been wholly-owned by Mr. Tam since then.

On 14 February 2017, Eight Dimensions was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US\$1.00 each. One share in Eight Dimensions was issued and allotted to Mr. Yeung at par value on the same day and Eight Dimensions has been wholly-owned by Mr. Yeung since then.

On 15 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 380,000,000 Shares. On 15 February 2017, one subscriber Share was issued and allotted to the initial subscriber, who on the same day transferred that one Share to Garage Investment, at par value. An additional 54 Shares were issued and allotted (a total of 55 Shares) to Garage Investment and 45 Shares were issued and allotted to Eight Dimensions at par value on the same day.

On 16 February 2017, MISG Investment was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US\$1.00 each. One share in MISG Investment was issued and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

allotted to the Company on the same day at par value and MISG Investment has been wholly owned by the Company since then.

(2) Transfer of interest in MIS Technology Project to MISG Investment

Pursuant to the share transfer agreement dated 17 May 2017, Pangaea transferred 100 shares in MIS Technology Project to MISG Investment for a nominal cash consideration of HK\$3.00. Upon completion of such transfer, MIS Technology Project became a wholly-owned subsidiary of MISG Investment.

(3) Transfer of interest in MIS Technology Consultants to the Company

Pursuant to the share transfer agreement dated 17 May 2017, Pangaea transferred 100 shares in MIS Technology Consultants to the Company for a nominal cash consideration of HK\$3.00. Upon completion of such transfer, MIS Technology Consultants became a wholly-owned subsidiary of the Company.

(4) Transfer of interest in Pangaea to the Company

Pursuant to a share transfer agreement dated 23 May 2017, each of Mr. Yeung and Mr. Tam transferred 450 shares in Pangaea and 550 shares in Pangaea, representing 45% and 55% of the entire issued shares of Pangaea, respectively, for a consideration which was satisfied by the issue and allotment of 405 Shares to Eight Dimensions at the direction of Mr. Yeung and 495 Shares to Garage Investment at the direction of Mr. Tam, all credited as fully-paid. Immediately after completion of the transfer, Pangaea became a wholly-owned subsidiary of the Company.

ACTING IN CONCERT AGREEMENT

As at the Latest Practicable Date, each of Garage Investment and Eight Dimensions directly held 55.0% and 45.0%, respectively, of the issued share capital in our Company. Each of Garage Investment and Eight Dimensions is one of the Controlling Shareholders and is a wholly owned subsidiary of Mr. Tam and Mr. Yeung, respectively. Mr. Tam, our executive Director, Chairman and chief executive officer, and Mr. Yeung, our executive Director and chief operating officer share the same vision in respect of the long-term development and business objectives of the Company. They together with Garage Investment and Eight Dimensions entered into the Acting in Concert Agreement on 25 August 2017 to align their shareholding interests in the Company.

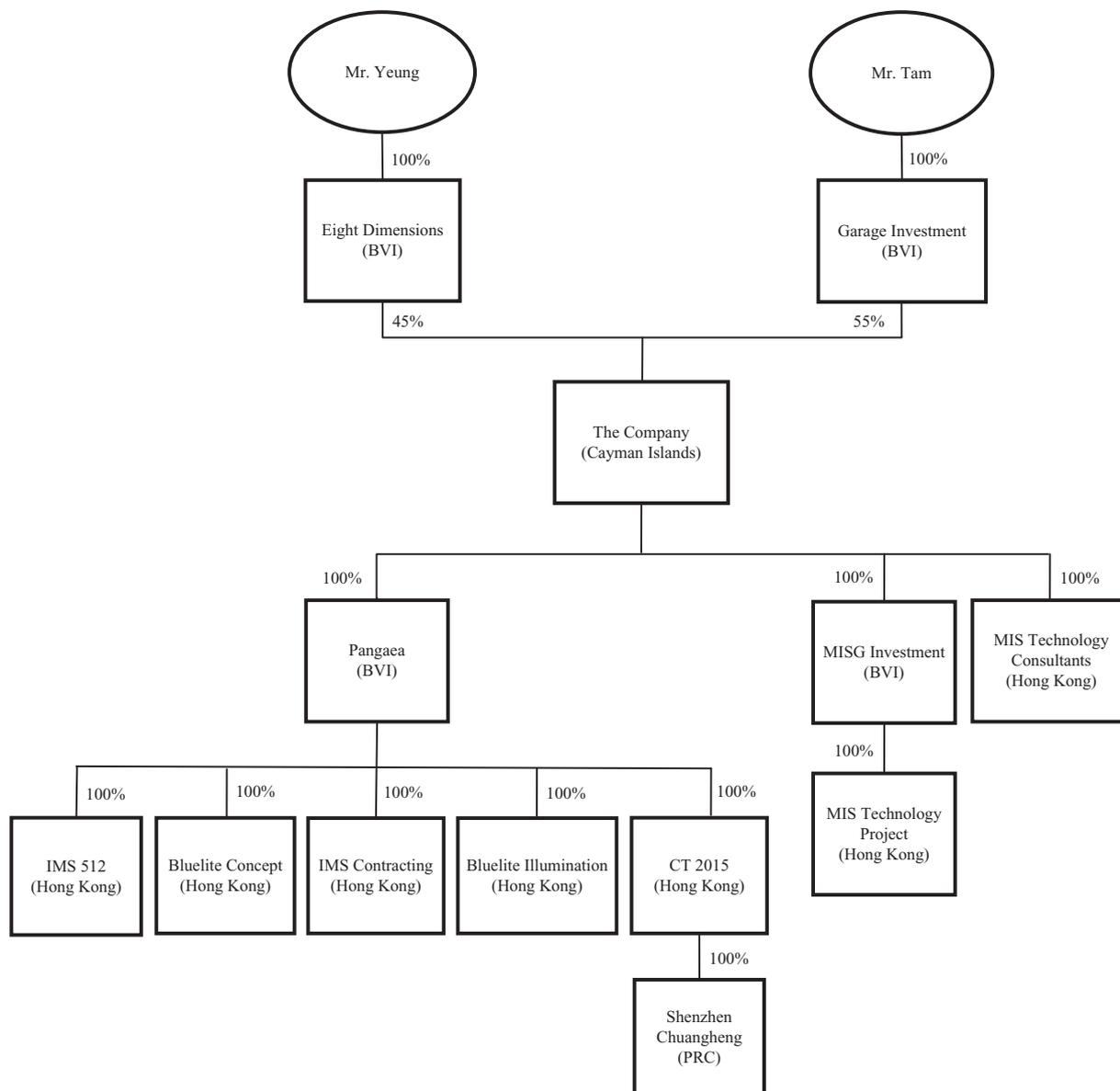
Pursuant to the Acting in Concert Agreement, Garage Investment, Eight Dimensions, Mr. Tam and Mr. Yeung jointly and severally undertook that, during the period they remain in control of the Company, they would, by themselves, together with their associates or through the companies controlled by them, adopt a consensus building approach to reach decisions on a unanimous basis, and exercise their voting rights at the meetings of the Shareholders of the Company (and of its subsidiaries, including any of them in the future) based on such decisions. Mr. Tam and Mr. Yeung also acknowledged the existence of the aforementioned acting in concert arrangements in respect of the business of the Group during the Track Record Period. Given the aforesaid, Mr. Tam and Mr. Yeung are presumed to be acting in concert (within the meaning of the Takeovers Code).

As such, Mr. Tam (through Garage Investment) and Mr. Yeung (through Eight Dimensions), are entitled to exercise and control the exercise of 75.0% of our entire issued share capital upon the completion of the Share Offer (without taking into account any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme). Each of Garage Investment, Eight Dimensions, Mr. Tam and Mr. Yeung are regarded as our Controlling Shareholders as defined under the GEM Listing Rules.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

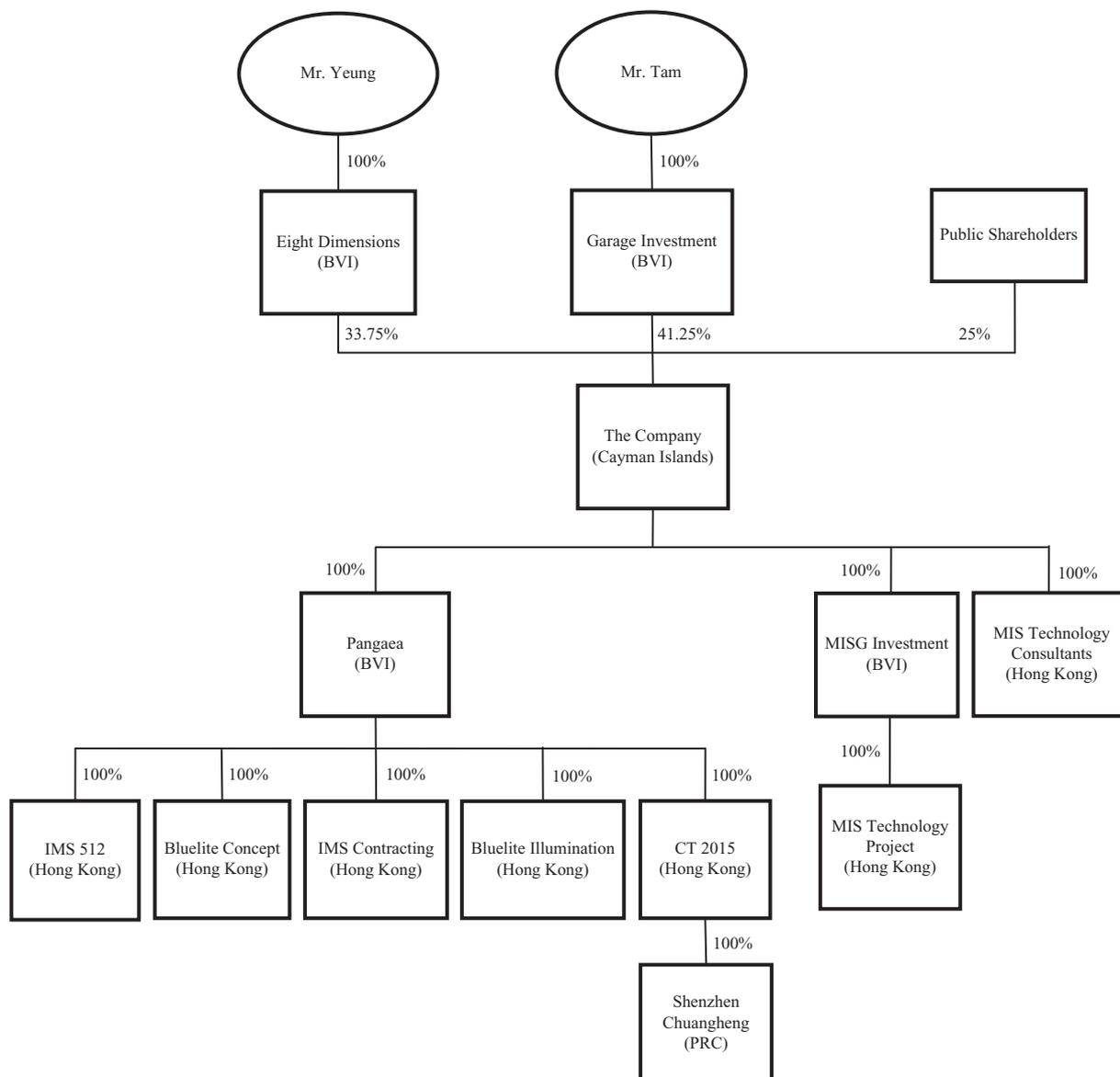
CORPORATE STRUCTURE

The following chart sets forth our Group's shareholding structure immediately after completion of the Reorganisation but prior to the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme):



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's shareholding structure immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

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

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

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

BUSINESS

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

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

Notes:

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

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

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

OUR COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

Strong cooperative relationships with our suppliers and subcontractors

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

Established reputation and proven track record

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

Innovative and customised LED solution provider

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

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

Experienced and dedicated management team

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

OUR BUSINESS STRATEGIES

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

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

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

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

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

Strengthen our research and development capabilities and engineering expertise

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

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

Continue to maintain high standards of project management and cost control

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

Pursue suitable acquisition opportunities

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

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OUR SERVICES AND PRODUCTS

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

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

Sales of LED Lighting Fixtures

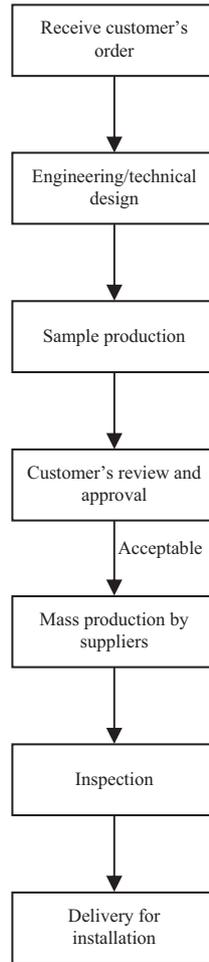
We have accumulated LED lighting solution know-how, technical knowledge and developed engineering expertise through over eight years of history as a LED lighting product provider. Therefore, we are able to design and customise LED lighting fixtures to be installed in the interior spaces of the retail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

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

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Operating Procedures

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



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

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

Our Product Portfolio

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

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

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

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

Integrated LED Lighting Solution Services

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

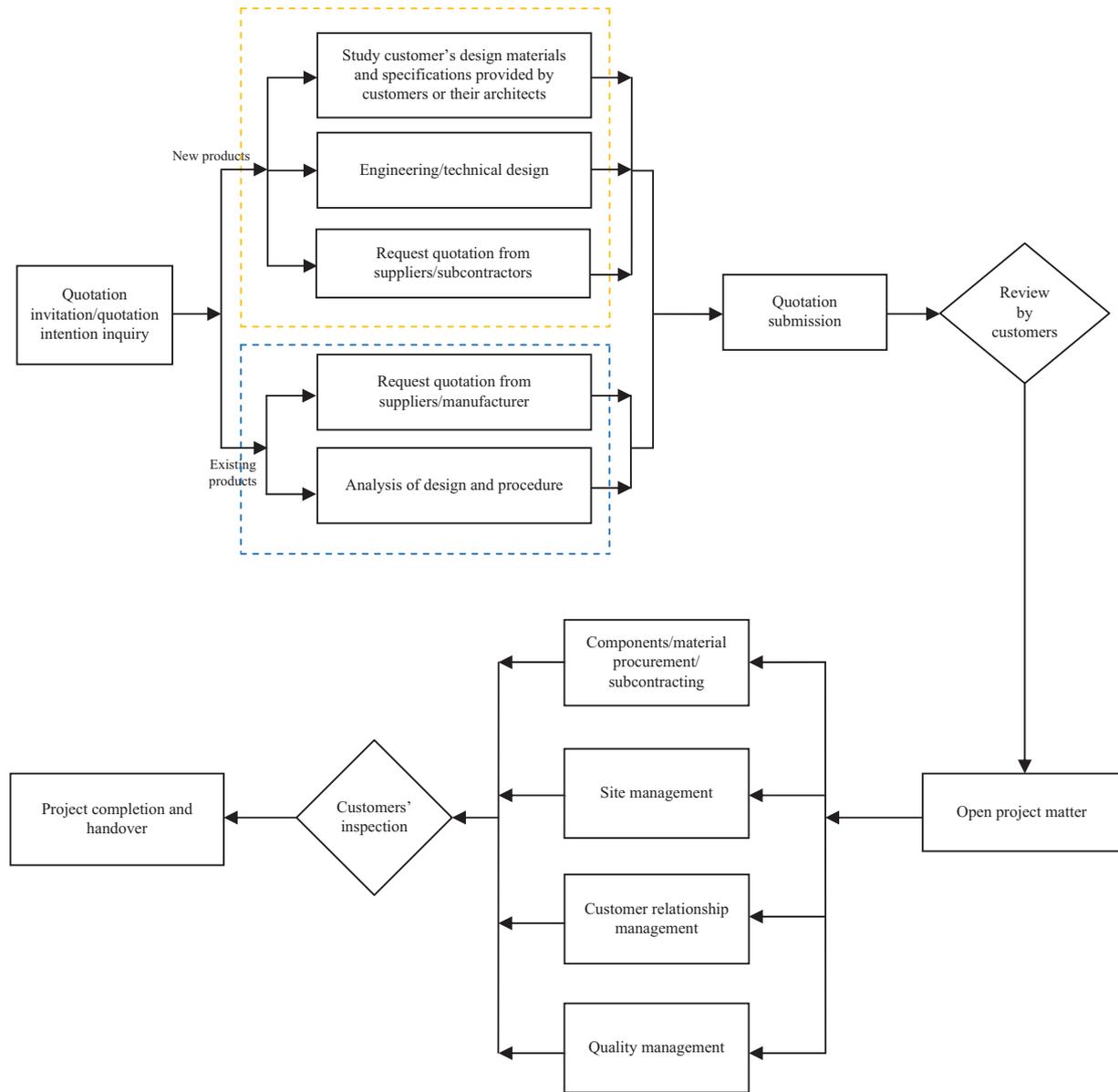
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certification, CCC certification and KC certification for products sold to Europe, the PRC and South Korea, respectively.

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

Operating Procedures

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



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

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

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

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

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

Our Project Portfolio

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

LED Lighting System Consultation and Maintenance Services

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

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

Sales of Visual-audio Systems

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

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

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

CONTRACT BACKLOG

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

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

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

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Notes:

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

OUR GLOBAL PRESENCE

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

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

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

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

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

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

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SALES AND MARKETING

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

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

PRICING

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

SEASONALITY

Our business and revenue are not subject to seasonality.

REFURBISHMENT AND/OR RENOVATION CYCLE

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

OUR CUSTOMERS

Top Five Largest Customers

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

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

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

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

For the year ended 31 March 2016

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

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For the year ended 31 March 2017

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

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For the four months ended 31 July 2017

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

Notes:

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

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Revenue by Major End-user Luxury Brands

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

For the year ended 31 March 2016

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

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For the year ended 31 March 2017

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

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For the four months ended 31 July 2017

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

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

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

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

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

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

Revenue by Fast-fashion Retail Chains

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

Our Arrangements with Customers

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

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

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

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

OUR SUPPLIERS AND SUBCONTRACTORS

Top Five Largest Suppliers

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

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

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

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

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

For the year ended 31 March 2016

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

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For the year ended 31 March 2017

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

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For the four months ended 31 July 2017

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

Notes:

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

Our Procurement Process

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

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

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

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

Our Arrangements with Suppliers

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

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

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

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

Overlap between Customers and Suppliers

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

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

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

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

Subcontracting

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

Our Arrangements with Subcontractors

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

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

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

Our Relationships with Subcontractors

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

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

Subcontracting Charges and Payment to Subcontractors

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

Liabilities and Control Measures

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

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

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

QUALITY CONTROL AND WARRANTY

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

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

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

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

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

Warranty

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

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

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MACHINERY AND EQUIPMENT

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

CREDIT MANAGEMENT

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

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

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

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

INVENTORY MANAGEMENT

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

RESEARCH AND DEVELOPMENT

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

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

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

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

COMPETITION

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

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

WORK SAFETY AND ENVIRONMENTAL MATTERS

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

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

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

INSURANCE

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

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

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

INTELLECTUAL PROPERTY

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

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

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

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PROPERTIES

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

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

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

EMPLOYEES

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

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

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

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

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Regulatory Compliance

Non-compliance Matter

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

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

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

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

BUSINESS

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

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

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

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

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

Material Licences and Qualification

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

Legal Proceedings

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

BUSINESS

INTERNAL CONTROL

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

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

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or the exercise of any options which may be granted under the Share Option Scheme), Eight Dimensions and Garage Investment will effectively hold 33.75% and 41.25%, respectively, of the total issued share capital of our Company. Eight Dimensions is wholly-owned by Mr. Yeung and Garage Investment is wholly-owned by Mr. Tam. Each of Eight Dimensions, Garage Investment, Mr. Yeung and Mr. Tam will continue to control more than 30% of the issued share capital and will remain as Controlling Shareholders after the Share Offer and Capitalisation Issue. For the background of Mr. Yeung and Mr. Tam, please refer to the section headed “Directors and Senior Management — Executive Directors” in this Prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from and do not place undue reliance on our Controlling Shareholders and their respective close associates taking into consideration the following factors:

Management Independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The Board’s main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team which is led by a team of senior management with experience and expertise in our business to implement our policies and strategies.

The Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. For a summary of the positions held by the Directors in our Company and its subsidiaries as at the Latest Practicable Date, please refer to the section headed “Directors and Senior Management” in this Prospectus.

Each of the Directors is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. The provisions of the Articles also ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practise.

Our Company has also appointed three independent non-executive Directors to ensure that there is a strong independent element on the Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. The independent non-executive Directors have diversified skills and experience in their respective fields of expertise and the Directors believe that the Board will benefit from their independent advice.

In light of the above, the Directors are satisfied that they are able to perform their roles in our Company independently, and the Directors are of the view that our Company is capable of managing its business independently from the Controlling Shareholders and their respective close associates after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. We have also established internal control procedures to facilitate the effective and efficient operation of our business. We have independent access to our customers and suppliers who are Independent Third Parties, and had not entered into any connected transactions with our Controlling Shareholders or any other connected persons.

Our Directors are of the view that our Group's business will continue to be operationally independent of the Controlling Shareholders.

Financial Independence

Our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders. We historically have had, and will following completion of the Share Offer, continue to have our own financial and accounting systems. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and its close associates.

Our Group is capable of obtaining financing from external sources without reliance on our connected persons or their respective associates. Our banking facilities which were obtained during the Track Record Period were secured by the unlimited personal guarantee of the executive Directors. We repaid the bank loan in mid-September 2017 and, upon such repayment, the executive Directors have been released from the unlimited personal guarantee.

Therefore, our Directors are of the view that there is no financial dependence on our Controlling Shareholders.

OUR CONTROLLING SHAREHOLDERS ACTING IN CONCERT

As at the Latest Practicable Date, each of Garage Investment and Eight Dimensions directly held 55.0% and 45.0%, respectively, of the issued share capital in our Company. Each of Garage Investment and Eight Dimensions is one of the Controlling Shareholders and is a wholly owned subsidiary of Mr. Tam and Mr. Yeung, respectively. Mr. Tam, our executive Director, Chairman and chief executive officer, and Mr. Yeung, our executive Director and chief operating officer share the same vision in respect of the long-term development and business objectives of the Company. They together with Garage Investment and Eight Dimensions entered into the Acting in Concert Agreement on 25 August 2017 to align their shareholding interests of the Company.

As such, Mr. Tam (through Garage Investment) and Mr. Yeung (through Eight Dimensions), are entitled to exercise and control the exercise of 75.0% of our entire issued share capital upon the completion of the Share Offer (without taking into account any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme). Each of Garage Investment, Eight Dimensions, Mr. Tam and Mr. Yeung are regarded as our Controlling Shareholders as defined under the GEM Listing Rules.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders and our Directors has confirmed that none of them is interested in any business (other than our Group) which is or is likely to be directly or indirectly, in competition with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In preparation for the Listing, each of the Controlling Shareholders (together called, the “**Covenanting Shareholders**”) have entered into the Deed of Non-Competition in favour of our Company, pursuant to which he/it has severally undertaken, subject to the exceptions mentioned below, that he/it and his/its close associates:

- (i) shall not, except through any member of our Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise) carry on, engage, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on by any member of our Group from time to time (“**Restricted Business**”); and
- (ii) when he/it and/or any of his/its close associates are offered or become aware of any new business opportunity directly or indirectly to engage or become interested in a Restricted Business, he/it (i) shall promptly notify our Company in writing, refer such business opportunity to our Company for consideration first and provide such information as may be reasonably required by our Company to (a) consider if such business opportunity would constitute competition with the core business and/or any other business which the Group may undertake at the relevant time and (b) it is in the interest of the Group to pursue such business opportunity; and (ii) shall not, and procure that his/its close associates shall not, invest or participate in any such business opportunity unless (a) such business opportunity shall have been declined by our Company and confirmed that such business opportunity would not constitute competition with the core business of the Company, or (b) has not received the notice from the Group within 10 Business Days; if there is a material change in the terms and conditions of such business opportunity, such business opportunity as so revised will be referred to the Group in the manner as set out above.

The aforesaid undertakings do not apply to the holding of or interests in shares or other securities by the Covenanting Shareholders in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange, the total number of the shares held by the relevant Covenanting Shareholder and his/its close associates or in which they are together interested does not amount to more than 10% of the issued shares of that class of that company, and any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets as shown in that company’s latest audited accounts.

The Deed of Non-Competition and the rights and obligations thereunder are subject to and conditional upon the Share Offer becoming unconditional.

The obligations of a particular Covenanting Shareholder under the Deed of Non-Competition will remain in effect until:

- (i) the date on which the Shares cease to be listed on the Stock Exchange; or
- (ii) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or his/its close associates, collectively and individually, ceases to hold an equity interest in our Company; or
- (iii) in respect of a Controlling Shareholder, the date on which that Controlling Shareholder and/or his/its close associates, jointly and severally, ceases to be entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

whichever occurs first.

Pursuant to the Deed of Non-Competition, each of our Covenanted Shareholders has severally undertaken:

- (i) to provide our Company (including the independent non-executive Directors, the “INEDs”) with all information necessary for their annual review and the enforcement of all undertakings, representations and warranties contained in the Deed of Non-Competition;
- (ii) to make an annual declaration of compliance with such undertakings, representations and warranties for disclosure in our Company’s annual reports;
- (iii) to consent to the disclosure of the decision made by the INEDs regarding compliance with the enforcement of the Deed of Non-completion in our Company’s annual reports or announcements; and
- (iv) to abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests.

The declaration and disclosure regarding compliance with and enforcement of the Deed of Non-Competition shall be consistent with the principles of making voluntary disclosures in the Corporate Governance Report of our Company to be issued in accordance with Appendix 15 to the GEM Listing Rules.

CORPORATE GOVERNANCE MEASURES

We will adopt the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of our Shareholders:

- (i) our INEDs shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-Competition by our Covenanted Shareholders;
- (ii) we will disclose in the corporate governance report of our annual report whether the terms of the Deed of Non-Competition have been complied with and enforced;
- (iii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit of our Company and the Shareholders as a whole and does not allow any conflict of interests between his/her duties as a Director and his/her personal interests. In addition, our Directors are obliged under the Articles of Association to declare to our Board any potential conflict of interest with our Group at Board meetings. It is provided in the Articles of Association that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested. Our Board (including the INEDs) will monitor the potential conflict of interest of Directors and our Directors have to submit confirmations to the Board disclosing details of any interests in competing businesses in any interim or annual reports to be issued by our Company. If potential conflict of interest arises, the interested Director(s) will bring the matter to the INEDs and shall not be present during the discussion of the relevant resolution in which the conflict of interest may arise and shall abstain from voting on such proposed resolution;
- (iv) our Company has engaged Kingsway Capital as our compliance adviser who shall ensure that our Company is properly guided and advised as to compliance with the GEM Listing Rules and any other applicable laws and regulations; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (v) the INEDs may engage an independent professional advisers in appropriate circumstances at our Company's costs.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Covenanting Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board is comprised of five Directors, including two executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, reviewing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors and senior management:

Members of our Board

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Principal responsibilities	Relationship with other Directors and senior management
Mr. Tam Yat Ming Andrew (談一鳴)	51	Chairman, executive Director and chief executive officer	15 February 2017	16 April 1998	Formulating corporate strategies, overseeing the overall management of business and operation of our Group	None
Mr. Yeung Wun Tang Andy (楊援騰)	51	Executive Director and chief operating officer	15 February 2017	16 April 1998	Overseeing the overall management of business and operations of our Group	None
Mr. Chu Yin Kam (朱賢淦)	63	Independent non-executive Director	22 December 2017	22 December 2017	Providing independent views on management of our Group, including views on financial matters	None
Dr. Wilson Lee (李惠信)	50	Independent non-executive Director	22 December 2017	22 December 2017	Providing independent views on management of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Principal responsibilities	Relationship with other Directors and senior management
Mr. Ha Yiu Wing (夏耀榮)	55	Independent non-executive Director	22 December 2017	22 December 2017	Providing independent views on management of our Group including views on the industry of the Group	None

Executive Directors

Mr. Tam Yat Ming Andrew (談一鳴), aged 51, is our Chairman, executive Director and chief executive officer. He has been responsible for formulating corporate strategies, overseeing the overall management and the day-to-day business operations of our Group. He joined MIS Technology Consultants in April 1998 with Mr. Yeung as a director and was responsible for managing the day-to-day business operations and business development. Mr. Tam has over 12 years of experience in the LED lighting solutions industry and over 18 years of experience in the visual-audio business. He is also a director of various subsidiaries of our Group.

From June 1992 to April 1998, Mr. Tam served as a Project Manager at South China House of Technology Consultants Limited, an audio and visual trading company incorporated in Hong Kong.

Mr. Tam obtained a bachelor's degree in science from the University of Guelph, Canada, in February 1991.

Mr. Yeung Wun Tang Andy (楊援騰), aged 51, is our executive Director and chief operating officer of the Company. He has been responsible for formulating corporate strategies, overseeing the overall management and the day-to-day business operations of our Group. From July 1993 to April 1998, Mr Yeung served as a system engineer at South China House of Technology Consultants Ltd., an audio and visual trading company incorporated in Hong Kong. He joined MIS Technology Consultants in April 1998 with Mr. Tam as a sales manager. In October 2002, he was appointed as director of MIS Technology Consultants where he was responsible for sales and project management. Mr. Yeung has over 12 years of experience in the LED lighting solutions industry and over 18 years of experience in the visual-audio business.

Mr. Yeung obtained a bachelor of arts degree majoring in economics from the University of Regina, Canada, in May 1989.

Independent Non-executive Directors

Mr. Chu Yin Kam (朱賢淦), aged 63, is an independent non-executive Director. He is responsible for supervising and providing independent judgment to our Board, which includes views on financial matters. He is experienced in financial management, corporate finance and investment monitoring.

Mr. Chu currently does not have any employment positions and has previously held the following positions:

- various management positions in the Swire Group, including serving as the Senior Financial Controller of Swire Group trading companies in Taiwan and Korea from December 1989 to

DIRECTORS AND SENIOR MANAGEMENT

June 1991. As a Senior Financial Controller, Mr. Chu was mainly responsible for managing the finance, accounting and administrative functions, including the provision of financial and management account services and participating in the formulation of policies and guidelines on long-term and short-term financial, operational and organisational management;

- assisted Prudential Asset Management Asia Hong Kong Limited (“PAMA”) in its acquisition of a majority stake of Environmental Services Group (“ESG”) from July 1991 to early 1992 and was subsequently appointed as the chief financial officer of ESG in PAMA in early 1992. Mr. Chu’s service in ESG ended in June 1995. During his employment with ESG, Mr. Chu was responsible for managing the finance, administration, legal and secretarial functions of the group companies. At the same time, he also oversaw the restructuring of the group’s business and liaised with banks on credit facilities;
- executive vice president of Franchise Investment Corporation of Asia Ltd from July 1995 to March 1997;
- Mr. Chu did not hold any employment positions from March 1997 to September 1999. Mr. Chu migrated to Australia from September 1999 to May 2003. After that, Mr. Chu returned to Hong Kong to spend time with his family and did not hold any employment positions till February 2006;
- director and head of investment monitoring of ARC Capital Partners Limited from March 2006 to February 2011 during which he led the investment monitoring department;
- Mr. Chu contemplated early retirement and did not hold any employment positions from March 2011 to December 2014;
- director of finance and administration of Our Hong Kong Foundation Limited, a foundation chaired by Mr. Tung Chee Hwa, the first Chief Executive of Hong Kong, from January 2015 to September 2015;
- Mr. Chu did not hold any employment positions from October 2015 to June 2016; and
- Chief Financial Officer of Wisdom Sports Group (Stock Exchange stock code 1661) from July 2016 to June 2017, during which he was responsible for analysing financial statements and preparing reports and recommendations to top management concerning financial performance.

Mr. Chu obtained a Bachelor of Commerce degree conferred by the University of New South Wales, Australia in April 1981. He is a Fellow of the Hong Kong Institute of Certified Public Accountants since December 1994, a fellow of The Taxation Institution of Hong Kong since September 2010 and a Fellow of the Institute of Chartered Accountants of England and Wales since January 2016.

Mr. Chu was a director of Regent Gear Company Limited, a company incorporated in Hong Kong and dissolved by voluntary deregistration on 8 April 2005, pursuant to section 291AA of the Predecessor Companies Ordinance. He was also a director of Suk Future Limited, Lawmond Company Limited and All Direction Limited, each a company incorporated in Hong Kong which had been struck off and dissolved on 20 December 2002, 21 February 2003 and 24 January 2014, respectively, as such companies had ceased to conduct business. Mr. Chu further confirms that there is no fraudulent act or misfeasance on his part leading to the deregistration or strike off of such companies and he is not aware of any actual or potential claim having been or will be made against him as a result of the deregistration or strike off of such companies.

Mr. Ha Yiu Wing (夏耀榮), aged 55, is an independent non-executive Director. He is responsible for supervising and providing independent judgement to our Board. Mr. Ha has over 26 years of experience

DIRECTORS AND SENIOR MANAGEMENT

in the lighting industry. He has held various management positions in the lighting division of Philips Lumileds and Philips Electronics Hong Kong Limited. He worked for Philips Electronics Hong Kong Limited starting from August 1987 and served in various management positions including a Marketing Manager of the lighting division, responsible for supervising daily operation closely and penetrating Philips lighting products in the retail and wholesale market. He later transferred to Philips Lumileds in October 2009 where he served as a Senior Manager of Regional Sales, and was subsequently appointed as Sales Director until April 2014 when he retired, responsible for leading the sales team in Hong Kong and South China.

Mr. Ha obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in May 1986. He has obtained certificates for completing courses on ISO 9001 and auditing of quality management systems issued by McCrae Consultants Limited in September 1998, ISO 14001 in respect of environmental management system issued by the Hong Kong Productivity Council in July 1999, ISO 9000:2000 in respect of quality system documentation issued by the Hong Kong Productivity Council in March 2002 and ISO 9001:2000 in respect of internal auditor training issued by TQC Development Centre Limited in March 2002.

Dr. Wilson Lee (李惠信), aged 50, is an independent non-executive Director. He is responsible for supervising and providing independent judgement to our Board. Since December 2007, he has been a specialist in orthodontics at Central Orthodontics Limited in Hong Kong, responsible for the overall management of such specialist practise and providing professional dental services.

Dr. Lee obtained a master of business administration degree from Rochester Institute of Technology in New York, U.S. in May 1993. He also obtained a bachelor's degree in science from the University of Toronto, Canada in November 1991 and a bachelor's degree in dental surgery from The University of Hong Kong in November 2001. He furthered his studies at The University of Hong Kong and obtained a master degree and advanced diploma in orthodontics in November 2007 and September 2009, respectively. Dr. Lee has been a registered dentist in Hong Kong since July 2001 and a specialist in orthodontics with the College of Dental Surgeons in Hong Kong since November 2010. Dr. Lee has been appointed as an executive committee member of The Hong Kong Anti-cancer Society since November 2014.

Other Disclosure Pursuant to Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors confirms with respect to him or her that he or she (i) did not hold other positions in our Company or members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; (iv) there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 17.50(2) of the Listing Rules. As at the Latest Practicable Date, save as the interests of Mr. Tam and Mr. Yeung in the Shares which are disclosed in the paragraph headed "C. Further Information about our Directors and Shareholders — 1. Disclosure of Interests" in Appendix IV to this Prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Chau Wing Wo (周永和), aged 33, is the financial controller of the Group and company secretary of the Company. He joined our Group in January 2017 and is primarily responsible for the

DIRECTORS AND SENIOR MANAGEMENT

financial matters of our Group. Mr. Chau has approximately 10 years of experience in accounting and financial management. Prior to joining our Group, he worked in CITIC Dameng Holdings Ltd (Stock Exchange stock code: 1091) from May 2012 to January 2017 and served as an assistant manager of the finance department from March 2016 to January 2017 where he was primarily responsible for preparing financial statements, budgeting and financial compliance. He also worked as an auditor of two international accounting firms in Hong Kong from November 2010 to April 2012 and was primarily responsible for assisting with the audit and financial reporting projects of companies.

Mr. Chau obtained a bachelor of business administration degree in accounting and finance from The University of Hong Kong in November 2007. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 2011.

Mr. Lo King Shun (盧景純), aged 55, is the senior manager of engineering and quality assurance of our Group. Prior to joining our Group, Mr. Lo was the director in Top Wealth Engineering Limited from October 1998 to January 2004 during which he was responsible for monitoring the overall quality of lighting and visual-audio projects. He joined our Group in February 2004 and is primarily responsible for engineering and quality assurance of lighting and audio visual products for projects of the Group. In May 2011, Mr. Lo has been promoted as Senior Manager of the Technical Department of MIS Technology Projects, responsible for overseeing the quality control of products and services provided by the Group. In February 2015, Mr. Lo was further employed as the Senior Manager of Bluelite Illumination Limited. Mr. Lo has over 10 years experience in project management.

Mr. Lo completed his secondary school education in Yuen Long Sun Yat Sen Memorial College in July 1981.

COMPANY SECRETARY

Mr. Chau Wing Wo (周永和) is the company secretary of the Company. His biographical details are set out in the paragraph headed “— Senior Management” above of this section.

COMPLIANCE OFFICER

Mr. Tam Yat Ming Andrew (談一鳴) is the compliance officer of the Company. His biographical details are set out in the paragraph headed “— Executive Directors” above of this section.

CORPORATE GOVERNANCE

Our Company’s corporate governance practises are based on principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the “**Corporate Governance Code**”). Except for the deviation from paragraph A.2.1 of the Corporate Governance Code as stated below, our Company’s corporate governance practises have complied with the Corporate Governance Code.

Paragraph A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tam is the Chairman and the chief executive officer of our Company. Taking into consideration that Mr. Tam is the founder of our Group and has been managing the business of the Group since then, the Board believes that it is in the best interest of our Group to have Mr. Tam take up both roles for effective management and business development. Therefore, the Board considers the deviation from paragraph A.2.1 of the Corporate Governance Code to be appropriate in such circumstance.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on 22 December 2017 with its written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of three members, being Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee. Mr. Chu Yin Kam currently serves as the chairman of the audit committee. The primary duties of the audit committee are, among other things, to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to make recommendations to our Board on appointment or reappointment and removal of external auditors, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company established a remuneration committee on 22 December 2017 with its written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The remuneration committee consists of three members, being Dr. Wilson Lee, Mr. Ha Yiu Wing and Mr. Tam. Dr. Wilson Lee currently serves as the chairman of the remuneration committee. The primary duties of the remuneration committee include, among others, (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

Nomination Committee

Our Company established a nomination committee on 22 December 2017 with its written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The nomination committee consists of three members, being Mr. Ha Yiu Wing, Mr. Chu Yin Kam and Dr. Wilson Lee. Mr. Ha Yiu Wing currently serves as the chairman of the nomination committee. The primary duties of the nomination committee are, among others, to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management of the Company.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from the Company in the form of salaries, allowances, benefits in kind and discretionary bonuses relating to the performance of the Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

For each of the two years ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017, the aggregate amount of salaries and other allowances and benefits in kind paid by us to our Directors was approximately HK\$3,539,000, HK\$3,539,000 and HK\$1,088,000, respectively. The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing

DIRECTORS AND SENIOR MANAGEMENT

allowances and other allowances and benefits in kind and discretionary bonuses) which were paid or payable by the Company to our five highest paid individuals for each of the two years ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017 was approximately HK\$3,114,000, HK\$2,498,000 and HK\$463,000, respectively.

During the Track Record Period, no remuneration was paid by our Group to the Directors or past directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office. Further, none of our Directors waived any remuneration during the same periods.

Under the arrangements currently in force, the aggregate remuneration, excluding discretionary bonuses, of our Directors for the year ending 31 March 2018 is estimated to be no more than HK\$4 million.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 22 December 2017. For details of the Share Option Scheme, please refer to the paragraph headed “D. Share Option Scheme” in Appendix IV to this Prospectus.

COMPLIANCE ADVISER

Our Company has appointed Kingsway Capital as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser (when consulted) will advise the Company on the following matters:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this Prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this Prospectus; and
- (iv) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The term of the appointment of the compliance adviser shall commence on the Listing Date and end on the date which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or the exercise of any options granted under the Share Option Scheme), other than a Director or chief executive of our Company, the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Nature of interest	As at Latest Practicable Date		Upon Listing	
		Number of Shares ⁽¹⁾	Approximate percentage of shareholding in our Company	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in our Company
Eight Dimensions ⁽²⁾	Beneficial owner	450 (L)	45.00%	337,500,000 (L)	33.75%
Mr. Yeung ⁽²⁾	Interest in a controlled corporation	450 (L)	45.00%	337,500,000 (L)	33.75%
Ms. Hung Ying ⁽³⁾	Interest of spouse	450 (L)	45.00%	337,500,000 (L)	33.75%
Garage Investment ⁽⁴⁾	Beneficial owner	550 (L)	55.00%	412,500,000 (L)	41.25%
Mr. Tam ⁽⁵⁾	Interest in a controlled corporation	550 (L)	55.00%	412,500,000 (L)	41.25%
Ms. Ng Wing Sze ⁽⁵⁾	Interest of spouse	550 (L)	55.00%	412,500,000 (L)	41.25%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) The disclosed interest represents the interest in the Company held by Eight Dimensions, which is wholly-owned by Mr. Yeung. By virtue of the SFO, Mr. Yeung is deemed to be interested in the 337,500,000 Shares in which Eight Dimensions is interested.
- (3) Ms. Hung Ying is the spouse of Mr. Yeung. By virtue of the SFO, Ms. Hung Ying is deemed to be interested in the 337,500,000 Shares held by Mr. Yeung.
- (4) The disclosed interest represents the interest in the Company held by Garage Investment, which is wholly-owned by Mr. Tam. By virtue of the SFO, Mr. Tam is deemed to be interested in the 412,500,000 Shares in which Garage Investment is interested.
- (5) Ms. Ng Wing Sze is the spouse of Mr. Tam. By virtue of the SFO, Ms. Ng Wing Sze is deemed to be interested in the 412,500,000 Shares held by Mr. Tam.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or the exercise of any options granted under the Share Option Scheme), have an interest or a short position in the Shares or

SUBSTANTIAL SHAREHOLDERS

underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of our Company and any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised share capital

	HK\$
10,000,000,000 shares of par value HK\$0.001 each	10,000,000
	<u>10,000,000</u>

Assuming that the Offer Size Adjustment Option is not exercised, the issued share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

Issued and to be issued, fully paid or credited as fully paid, upon completion of the Capitalisation Issue and the Share Offer

	HK\$
1,000 Shares in issue as at the date of this Prospectus	1
749,999,000 Shares to be issued under the Capitalisation Issue	749,999
250,000,000 Shares to be issued under the Share Offer	<u>250,000</u>
1,000,000,000 Shares in total	<u>1,000,000</u>

Assuming that the Offer Size Adjustment Option is exercised in full, the issued share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

Issued and to be issued, fully paid or credited as fully paid, upon completion of the Capitalisation Issue and the Share Offer

	HK\$
1,000 Shares in issue as at the date of this Prospectus	1
749,999,000 Shares to be issued under the Capitalisation Issue	749,999
287,500,000 Shares to be issued under the Share Offer and the Offer Size Adjustment Option	<u>287,500</u>
1,037,500,000 Shares in total	<u>1,037,500</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and does not take into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares as described below.

RANKING

The Offer Shares and the Shares that may be issued upon the exercise of the Offer Size Adjustment Option will rank pari passu in all respects with all other existing Shares in issue as mentioned in this Prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this Prospectus save for entitlements under the Capitalisation Issue.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the GEM Listing Rules).

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 22 December 2017. Under the Share Option Scheme, the eligible participants of the scheme, including directors and full-time employees of our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date (i.e. 100,000,000 Shares, without taking into account Shares which may be issued upon the exercise of the Offer Size Adjustment Option). Further details of the terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this Prospectus.

GENERAL MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Capitalisation Issue and the Share Offer (but excluding any Share which may be issued upon the exercise of the Offer Size Adjustment Option); and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company pursuant to the general mandate to repurchase Shares granted to the Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this issuing mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options which may be granted under the Share Option Scheme. The aggregate nominal value of the Shares which the Directors are authorised to allot and issue under the issuing mandate will not be reduced by the allotment and issue of such Shares.

This issuing mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see the paragraph headed “A. Further Information about our Group — 3. Written Resolutions of the Shareholders Passed on 22 December 2017” in Appendix IV to this Prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Capitalisation Issue and the Share Offer (but excluding any Shares which may be issued upon the exercise of the Offer Size Adjustment Option).

This repurchase mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock

SHARE CAPITAL

Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this Prospectus regarding the repurchase of Shares is set out in the paragraph headed “A. Further Information about our Group — 7. Securities Repurchase Mandate” in Appendix IV to this Prospectus.

This repurchase mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details about this repurchase mandate, please see the paragraph headed “A. Further Information about our Group — 3. Written Resolutions of the Shareholders Passed on 22 December 2017” in Appendix IV to this Prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Companies Law and the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary shareholders’ resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to sanction by the courts in the Cayman Islands, reduce its share capital by shareholders’ special resolution. For more details, please see Appendix III to this Prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to the Share or any class of Shares (unless otherwise provided for in the terms of issue of the Shares of that class) may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see Appendix III to this Prospectus.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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

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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.

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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
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i> (unaudited)	
Revenue	42,126	67,443	16,605	18,515
Direct costs	<u>(18,935)</u>	<u>(28,560)</u>	<u>(5,993)</u>	<u>(9,089)</u>
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	<u>–</u>	<u>(4,123)</u>	<u>–</u>	<u>(6,352)</u>
Profit/(loss) before tax	7,741	20,855	6,028	(2,348)
Income tax expenses	<u>(1,267)</u>	<u>(4,428)</u>	<u>(934)</u>	<u>(1,121)</u>
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	<u><u>6,474</u></u>	<u><u>16,342</u></u>	<u><u>5,095</u></u>	<u><u>(3,345)</u></u>

FINANCIAL INFORMATION

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)	% of total	(HK\$'000)	% of total
					(unaudited)			
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)	% of total	(HK\$'000)	% of total
					(unaudited)			
Hong Kong	16,168	38.4	33,280	49.3	7,623	45.9	1,685	9.1
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

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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.

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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

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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	—	—	—
	<u>27,945</u>	<u>14,181</u>	<u>42,126</u>	<u>55,111</u>	<u>12,332</u>	<u>67,443</u>	<u>12,373</u>	<u>4,232</u>	<u>16,605</u>	<u>14,061</u>	<u>4,454</u>	<u>18,515</u>

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.

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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	% of total
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
<i>For the year ended 31 March 2016</i>						
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
	<u>23,345</u>	<u>12,836</u>	<u>1,970</u>	<u>3,975</u>	<u>42,126</u>	<u>100.0</u>
<i>For the year ended 31 March 2017</i>						
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
	<u>51,037</u>	<u>10,583</u>	<u>1,388</u>	<u>4,435</u>	<u>67,443</u>	<u>100.0</u>
<i>For the four months ended 31 July 2016</i> (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
	<u>10,914</u>	<u>4,194</u>	<u>472</u>	<u>1,025</u>	<u>16,605</u>	<u>100.0</u>
<i>For the four months ended 31 July 2017</i>						
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
	<u>18,257</u>	<u>–</u>	<u>258</u>	<u>–</u>	<u>18,515</u>	<u>100.0</u>

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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	% of total
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
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						
	–	–	–	–	–	–
	<u>6,906</u>	<u>2,141</u>	<u>134</u>	<u>–</u>	<u>9,181</u>	<u>100.0</u>
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
	<u>28,606</u>	<u>4,865</u>	<u>216</u>	<u>–</u>	<u>33,688</u>	<u>100.0</u>
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
	<u>7,221</u>	<u>869</u>	<u>84</u>	<u>–</u>	<u>8,174</u>	<u>100.0</u>
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
	<u>6,410</u>	<u>–</u>	<u>19</u>	<u>–</u>	<u>6,429</u>	<u>100.0</u>

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

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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	
	<i>(HK\$'000)</i>	<i>% of total</i>	<i>(HK\$'000)</i>	<i>% of total</i>	<i>(HK\$'000)</i> <i>(unaudited)</i>	<i>% of total</i>	<i>(HK\$'000)</i>	<i>% of total</i>
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.

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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
<i>For the year ended 31 March 2016</i>					
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%
<i>For the year ended 31 March 2017</i>					
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%
<i>For the four months ended 31 July 2016</i>					
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%
<i>For the four months ended 31 July 2017</i>					
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.

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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
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i> (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
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i> (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.

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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.

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

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.

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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

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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.

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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.

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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

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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

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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.

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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.

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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.

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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
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>
Non-current assets			
Property, plant and equipment	828	583	604
Deposits paid for leasehold improvement	–	–	260
	<u>828</u>	<u>583</u>	<u>864</u>
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
	<u>28,768</u>	<u>50,292</u>	<u>47,273</u>
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
	<u>14,844</u>	<u>39,791</u>	<u>40,336</u>
Net current assets	<u>13,924</u>	<u>10,501</u>	<u>6,937</u>
Total assets less current liabilities	<u>14,752</u>	<u>11,084</u>	<u>7,801</u>
Non-current liabilities			
Deferred income	63	39	133
Other payable	193	215	194
Deferred tax liabilities	43	35	24
	<u>299</u>	<u>289</u>	<u>351</u>
Net assets	<u>14,453</u>	<u>10,795</u>	<u>7,450</u>
Total equity	<u>14,453</u>	<u>10,795</u>	<u>7,450</u>

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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.

	<u>As at 31 March</u>		<u>As at 31 July</u>
	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>
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	<u>11,760</u>	<u>17,665</u>	<u>18,392</u>

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.

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

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

	<u>As at 31 March</u>		<u>As at 31 July</u>
	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>
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	<u>4,493</u>	<u>1,143</u>	<u>1,525</u>
Total	<u>11,236</u>	<u>15,499</u>	<u>13,801</u>

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

	<u>As at 31 March</u>		<u>As at 31 July</u>
	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>
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	<u>4,323</u>	<u>1,127</u>	<u>1,383</u>
	<u>10,059</u>	<u>14,496</u>	<u>13,151</u>

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.

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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 2017
	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.

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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 2017
	2016	2017	
	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
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>
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

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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.

	<u>As at 31 March</u>		<u>As at 31 July</u>
	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>
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	<u>2,232</u>	<u>3,448</u>	<u>1,347</u>
Total	<u>7,090</u>	<u>11,424</u>	<u>6,550</u>

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

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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		Four months
	31 March		ended
	2016	2017	31 July
			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.

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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.

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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.

	<u>As at 31 March</u>		<u>As at 31 July</u>
	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>
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	<u>399</u>	<u>451</u>	<u>389</u>
Categorises as:			
Non-current liabilities	193	215	194
Current liabilities	206	236	195
	<u>399</u>	<u>451</u>	<u>389</u>

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.

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>	
			(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	<u>8,227</u>	<u>15,880</u>	<u>3,136</u>	<u>(4,292)</u>
Effect on exchange rate changes	-	(63)	1	50
Cash and cash equivalent at the beginning of the year/ period	<u>7,711</u>	<u>15,938</u>	<u>15,938</u>	<u>31,755</u>
Cash and cash equivalents at the end of the year/period	<u>15,938</u>	<u>31,755</u>	<u>19,075</u>	<u>27,513</u>

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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

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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
	2016	2017	2017	30 November 2017
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>	<i>(HK\$'000)</i> (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
	<u>28,768</u>	<u>50,292</u>	<u>47,273</u>	<u>33,361</u>
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
	<u>14,844</u>	<u>39,791</u>	<u>40,336</u>	<u>19,347</u>
Net current assets	<u>13,924</u>	<u>10,501</u>	<u>6,937</u>	<u>14,014</u>

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.

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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
	2016	2017	2017	30 November
	(HK\$'000)		(HK\$'000)	2017
				(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
	<u>2,317</u>	<u>824</u>	<u>1,475</u>	<u>4,288</u>

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

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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 2017
	2016	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%.

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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.

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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

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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.

FUTURE PLANS AND USE OF PROCEEDS

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.

FUTURE PLANS

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:

<u>Position</u>	<u>Number of staff</u>	<u>Expected role</u>	<u>Area of expertise</u>
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
<i>Preliminary preparation:</i>	
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
<i>Production line preparation:</i>	
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		<u>4,700</u>

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	Year ending 31 March	
	2017	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:

<u>Position</u>	<u>Number of staff</u>	<u>Expected roles</u>	<u>Areas of expertise</u>
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.

FUTURE PLANS AND USE OF PROCEEDS

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

FUTURE PLANS AND USE OF PROCEEDS

- 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	Six months ending				Total
	31 March 2018	30 September 2018	31 March 2019	30 September 2019	31 March 2020 ⁽¹⁾	
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
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.

FUTURE PLANS AND USE OF PROCEEDS

- (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

Recruiting high calibre staff

Implementation activities

- 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

- 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

- Monitoring the efficiency and effectiveness of the ERP system

Expanding and upgrading the workshop and office

- 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

Setting up a factory

Implementation activities

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

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

Pursuing suitable acquisitions

- 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

- Monitoring the efficiency and effectiveness of the ERP system

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

FUTURE PLANS AND USE OF PROCEEDS

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

- 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

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.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Bookrunners and Joint Lead Managers:

Kingsway Financial

Bluemount Securities Limited

PLACING UNDERWRITERS

Joint Bookrunners and Joint Lead Managers:

Kingsway Financial

Bluemount Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering 25,000,000 Public Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this Prospectus and the Application Forms.

Subject to:

- (a) the Listing Division granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this Prospectus on GEM and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Public Offer Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Bookrunners (for themselves and on behalf of the other Underwriters),

the Public Offer Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Public Offer Shares which are being offered but are not taken up under the Public Offer, on the terms and conditions set out in this Prospectus, the Application Forms and the Public Offer Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters), the Share Offer will not proceed and will lapse.

The Public Offer Underwriting Agreement is also conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares will be subject to termination by notice in writing to our Company from the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners that:
 - (i) any statement contained in any of this Prospectus and the Application Forms and/or any notice, announcement or advertisement issued or used by or on behalf of our Company

UNDERWRITING

in connection with the Public Offer, was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect in relation to the Share Offer or that any estimates, forecasts, expressions of opinion, intention or expectation expressed in any of this Prospectus and the Application Forms and/or any notice, announcement or advertisement issued or used by or on behalf of our Company in connection with the Public Offer is not fair and honest and based on reasonable assumptions in any material respect in relation to the Share Offer, when taken as a whole; or

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the this Prospectus and the Application Forms, constitute a material omission therefrom to be material in the context of the Share Offer; or
- (iii) any breach of any of the obligations imposed or to be imposed upon the warrantors or any of them; or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of our Company and the Controlling Shareholders under the Public Offer Underwriting Agreement; or
- (v) any change or development involving a prospective change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group ("**Group Company**") which will have a material adverse effect; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by our Company in terms set out in the Public Offer Underwriting Agreement; or
- (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Offer Size Adjustment Option) to be issued under the Share Offer is refused or not granted, or is qualified (other than subject to customary conditions), or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of this Prospectus and the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Placing; or
- (ix) any person (other than the Sole Sponsor and the Underwriters) has withdrawn or sought to withdraw its consent to being named in this Prospectus or to the issue of any of this Prospectus and the Application Forms; or
- (x) any of the experts (other than the Sole Sponsor) in relation to the Share Offer as set out under the section headed "Statutory and General Information — E. Other Information — 6. Qualifications of experts" in Appendix IV to this Prospectus has withdrawn its respective consent to the issue of this Prospectus with the inclusion of its report, letter, and/or legal opinion (as the case maybe) and references to its name included in the form and context in which they respectively appear; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), swine influenza (H1N1) or such related/mutated forms) or severe and extended interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, or representing national, regional, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, or a material fluctuation in the exchange rate of the Hong Kong dollar against any major foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions in which any Group Company conducts business (the “**Specific Jurisdictions**”); or
 - (iii) any new laws or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in the Specific Jurisdictions; or
 - (iv) any general moratorium on commercial banking activities in Hong Kong, New York, London or the PRC or any other Specific Jurisdictions imposed by any competent Government Authority or a disruption in commercial banking or securities settlement or clearance services in those places; or
 - (v) the imposition of any economic sanctions, in whatever form, directly or indirectly, by, or for, the Specific Jurisdictions; or
 - (vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Specific Jurisdictions affecting an investment in the Shares; or
 - (vii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this Prospectus; or
 - (viii) any litigation or claim of any third party being threatened or instigated against any Group company which is not disclosed in the Prospectus or not disclosed to the Sole Sponsor; or
 - (ix) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

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- (x) the chairman or chief executive officer of our Company vacating his office; or
- (xi) the commencement by any governmental, regulatory or political body or competent authorities of any action against a Director in his capacity as such or an announcement by any governmental, regulatory or political body or competent authorities that it intends to take any such action; or
- (xii) a contravention by any Group Company of the Companies Ordinance or any of the GEM Listing Rules or any other applicable laws which is not disclosed in the Prospectus or not disclosed to the Sole Sponsor; or
- (xiii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xiv) non-compliance of this Prospectus and the Application Forms (and/or any other documents used in connection with the offering of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other laws applicable to the Share Offer; or
- (xv) the issue or requirement to issue by our Company of a supplement or amendment to this Prospectus and/or any other offer documents pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules; or
- (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or
- (xvii) any loss or damage sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) a petition or an order for the winding-up or liquidation of any Group Company or any composition or arrangement made by any Group Company with its creditors or a scheme of arrangement entered into by any Group Company or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager to take over all the appointment of or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company,

and which, in any of the above cases and in the reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (a) is or will or could be expected to have a material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of the Company or the Group or any Group Company or on any present or prospective Shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of interest under the Share Offer; or
- (c) makes it or will or could be reasonably expected to make it inadvisable, inexpedient or impracticable for the Public Offer and/or the Share Offer to proceed or to market the Share Offer; or

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- (d) has or will or could be reasonably expected to have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the GEM Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Share Offer or the Offer Size Adjustment Option, he/it shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholdings in our Company is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this Prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he will cease to be a Controlling Shareholder (as defined in the GEM Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this Prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any securities in our Company beneficially owned by him/it in favour of an authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by him/it will be disposed of, immediately inform us in writing of such indications.

Undertakings given to the Public Offer Underwriters

By our Company

Our Company has undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that except pursuant to the Share Offer, the Capitalisation

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Issue, the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme, during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the “**First Six-month Period**”), we will not, and will procure that its Subsidiaries not to, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally any legal or beneficial interest in the share capital of our Company;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to do any of the transaction specified in paragraph (a) or (b) or (c) above or announce any intention to do so, whether any of such transactions specified in paragraph (a) or (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that it will not, and will procure that none of its close associates will, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) at any time during the First Six-month Period:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly, by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

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- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (a) or (b) or (c) above, whether any such transaction described in paragraph (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

In addition, during the period of six months immediately following the First Six-month Period (the “**Second Six-month Period**”), each of our Controlling Shareholders will not enter into any of the transactions described in paragraph (a), (b), (c) or (d) above if, immediately following such transaction, it will cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company.

Until the expiry of the Second Six-month Period, in the event that any of our Controlling Shareholders enters into any of the transactions described in paragraph (a), (b), (c) or (d) above, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that it will, from the date of the Public Offer Underwriting Agreement up to and including the expiry of the Second Six-month Period:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any share capital or other securities of our Company or any interests therein in respect of which it is the beneficial owner, immediately inform our Company and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or other securities so pledged or charged; and
- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or securities or interests in the Shares or other securities of our Company will be disposed of, immediately inform our Company, the Joint Bookrunners and the Joint Lead Managers in writing of such indications.

Our Company will inform the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers in writing as soon as it has been informed of any of the matters referred to above (if any) by our relevant Controlling Shareholders and, the Company shall, if so required by the Stock Exchange or the GEM Listing Rules, inform the Stock Exchange and disclose such matters by way of an announcement and shall comply with all the requirements in accordance with the GEM Listing Rules as soon as possible.

Our Company and our Controlling Shareholders undertake with the Sole Sponsor, the Joint Bookrunners and each of the Public Offer Underwriters that each of them will not, and our Controlling Shareholders further agree to procure that our Company will not, effect any transactions, at any time within the First Six-month Period, which may reduce the holding of Shares in “public hands” (as such expression means under the GEM Listing Rules) below the relevant prescribed minimum percentage (25%) as is set out in and calculated in accordance with the GEM Listing Rules without having obtained the prior written consent of the Sole Sponsor and Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters).

Sole Sponsor’s and Underwriters’ interests in our Group

Kingsway Capital, being the Sole Sponsor, satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor has been appointed as the compliance

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advisor of our Company with effect from the Listing Date until the despatch of our Company's financial results for the first full financial year of our Company after the Listing Date.

Save for their respective obligations under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement and save as otherwise disclosed in this Prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement.

The Placing

In connection with the Placing, we expect to enter into the Placing Underwriting Agreement on or about the Price Determination Date with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the Placing Shares or procure purchasers for the Placing Shares initially being offered pursuant to the Placing. Please refer to the section headed "Structure and Conditions of the Share Offer — The Placing" in this Prospectus.

Under the Placing Underwriting Agreement, we intend to grant to the Placing Underwriters the Offer Size Adjustment Option, exercisable in whole or in part at one or more times, at the absolute discretion of the Joint Bookrunners on behalf of the Placing Underwriters. Please refer to the section headed "Structure and Conditions of the Share Offer — Offer Size Adjustment Option" in this Prospectus for more information.

Total commission and expenses

We will pay the Joint Bookrunners (for themselves and on behalf of the other Underwriters) an underwriting commission of 8.5% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer (excluding any Placing Shares reallocated to the Public Offer and any Public Offer Shares reallocated to the Placing), out of which the Public Offer Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Public Offer Shares reallocated to the Placing, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Joint Bookrunners and the relevant Placing Underwriters, but not the Public Offer Underwriters.

Assuming the Offer Size Adjustment Option is not exercised and based on an Offer Price of HK\$0.30 (being the mid-point of the stated range of the Offer Price between HK\$0.20 and HK\$0.40), the aggregate commissions and estimated expenses, together with the Stock Exchange Listing fee, legal and other professional fees, printing and other fees and expenses relating to the Share Offer, are estimated to amount in aggregate to HK\$28.1 million in total and are payable by us.

Indemnity

We and our Controlling Shareholders have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Public Offer Underwriters (for themselves and on trust for their respective directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their due performance of their obligations under the

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Public Offer Underwriting Agreement and any breach by us or our Controlling Shareholders of the Public Offer Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This Prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

- the Public Offer of initially 25,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the paragraph headed “The Public Offer” in this section below; and
- the Placing of initially 225,000,000 Offer Shares (subject to reallocation and the Offer Size Adjustment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S, as described in the paragraph headed “The Placing” in this section below.

Investors may either:

- apply for the Public Offer Shares under the Public Offer; or
- apply for or indicate an interest for the Placing Shares under the Placing,

but may not do both.

The 250,000,000 Offer Shares in the Share Offer will represent 25% of our enlarged share capital immediately after the completion of the Share Offer and the Capitalisation Issue, without taking into account the exercise of the Offer Size Adjustment Option. If the Offer Size Adjustment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Share Offer and the Capitalisation Issue.

References to applications, application forms, application monies or procedure for applications relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 25,000,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Offer Shares offered under the Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, assuming the Offer Size Adjustment Option is not exercised.

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set forth below in the paragraph headed “Conditions of the Share Offer” in this section below.

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation. In accordance with the clawback mechanism, subject to any waiver or approval to be obtained from the Stock Exchange, if the number of Offer Shares validly applied for under the Public

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Public Offer, the Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares will be increased to 75,000,000 Offer Shares (in the case of (i)), 100,000,000 Offer Shares (in the case of (ii)) and 125,000,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option), respectively.

In each case, the additional Offer Shares relocated to the Public Offer will be increased and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Joint Bookrunners deems appropriate. In addition, the Joint Bookrunners shall have the discretion to reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer, regardless of whether any reallocation is triggered.

If the Public Offer is not fully subscribed for, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deems appropriate. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Applications

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Placing Shares under the Placing. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer (i.e. 25,000,000 Public Offer Shares) are liable to be rejected.

Applicants under the Public Offer are required to pay, on application, maximum price of HK\$0.40 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK\$4,040.31 for one board lot of 10,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed "Pricing and Allocation" in this section below, is less than the maximum price of HK\$0.40 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, please refer to the section headed "How to Apply for the Public Offer Shares" in this Prospectus.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

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THE PLACING

Number of Offer Shares initially offered

We will be initially offering for subscription under the Placing 225,000,000 Offer Shares, representing 90% of the Offer Shares under the Share Offer. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Offer Shares offered under the Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, assuming the Offer Size Adjustment Option is not exercised.

Allocation

The Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the Placing Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the Listing of the Shares on GEM. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any applications of the Public Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement as described above in the paragraph headed “The Public Offer — Reallocation” in this section above or the Offer Size Adjustment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Offer Size Adjustment Option, the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) will have the right, exercisable at any time during the period from the date of this Prospectus to Wednesday, 24 January 2018, being the last Business Day prior to the Listing Date, at its discretion to require the Company to issue, at the Offer Price, up to an aggregate of 37,500,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer to cover any excess demand or over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement. If the Offer Size Adjustment Option is exercised in full, the additional Shares

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will represent approximately 3.6% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Bookrunners to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.ims512.com.

PRICING AND ALLOCATION

Our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, 17 January 2018, or such other date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters).

The Offer Price will not be more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.20 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Public Offer as further explained below. If you apply for the Offer Shares under the Public Offer, you must pay the maximum price of HK\$0.40 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$0.40, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, please refer to the section headed "How to Apply for the Public Offer Shares" in this Prospectus.

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price range below that stated in this Prospectus prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Public Offer publish a notice on our website at www.ims512.com and

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the website of the Stock Exchange at *www.hkexnews.hk* (the contents of the website do not form a part of this Prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Share Offer statistics as currently set out in “Summary” in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Bookrunners (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

If you have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer (assuming the Offer Size Adjustment Option is not exercised).

The final Offer Price, the level of indication of interest in the Placing, the level of applications and the basis of allotment of Offer Shares available under the Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer are expected to be made available in a variety of channels in the manner described in the paragraph headed “How to Apply for the Public Offer Shares — 10. Publication of Results” in this Prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Division granting approval for the Listing of, and permission to deal in, our Shares in issue and to be issued as described in this Prospectus (including the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option);
- the Offer Price having been agreed between us and the Joint Bookrunners (on behalf the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement, as the case may be (unless and to the extent such conditions are

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

validly waived on or before such dates and times) and in any event not later than Saturday, 10 February 2018, being the 30th date after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners (on behalf of the Underwriters) on or before Friday, 19 January 2018, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company on our website at *www.ims512.com* and on the website of the Stock Exchange at *www.hkexnews.hk* on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Public Offer Shares — 12. Refund of Application Monies” in this Prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to, among other conditions, us and the Joint Bookrunners (on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date.

Certain terms of the underwriting arrangements, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, are summarised in the section headed “Underwriting” in this Prospectus.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 25 January 2018, it is expected that dealings in our Shares on GEM will commence at 9:00 a.m. on Thursday, 25 January 2018.

The Shares will be traded in board lots of 10,000 Shares each and the stock code of our Company is 8136.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate or close associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

For the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. from Thursday, 11 January 2018 until Monday, 15 January 2018 and between 9:00 a.m. to 12:00 noon on Tuesday, 16 January 2018 from:

- (i) any of the following offices of the Joint Bookrunners:

Kingsway Financial Services Group Limited
7/F, Tower 1, Lippo Centre
89 Queensway
Hong Kong

Bluemount Securities Limited
Room 2403-05, Jubilee Centre
18 Fenwick Street, Wan Chai
Hong Kong

- (ii) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited

District	Branch name	Address
Hong Kong Island	King's Road Branch	131-133 King's Road, North Point
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Thursday, 11 January 2018 until 12:00 noon on Tuesday, 16 January 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED - IMS GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving banks listed above, at the following times:

- Thursday, 11 January 2018 — 9:00 a.m. to 5:00 p.m.
- Friday, 12 January 2018 — 9:00 a.m. to 5:00 p.m.
- Saturday, 13 January 2018 — 9:00 a.m. to 1:00 p.m.
- Monday, 15 January 2018 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 16 January 2018 — 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 16 January 2018, the last application day or such later time as described in “Effect of bad weather on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally):

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this Prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this Prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank(s), the Sole Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of our Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank(s), the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for the Public Offer Shares;
- agree with our Company, for ourselves and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of

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each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this Prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of the Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.⁽¹⁾, Thursday, 11 January, 2018
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Friday, 12 January 2018
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Monday, 15 January 2018
- 8:00 a.m.⁽¹⁾ to 12:00 noon, Tuesday, 16 January 2018

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, 11 January, 2018 until 12:00 noon on Tuesday, 16 January 2018 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 16 January 2018, the last application day or such later time as described in “Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form(s) headed “Personal data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank(s), the Sole Sponsor, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon, Tuesday, 16 January 2018.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer – Pricing and Allocation”.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 16 January 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 16 January 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 24 January 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our Company’s website at www.ims512.com and on the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.ims512.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 24 January 2018;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Wednesday, 24 January 2018 to 12:00 midnight on Tuesday, 30 January 2018;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Wednesday, 24 January 2018 to Tuesday, 30 January 2018 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 24 January 2018 to Friday, 26 January 2018 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of the Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.40 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 24 January 2018.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Wednesday, 24 January 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this Prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 24 January 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 24 January 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 24 January 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 24 January 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 24 January 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If you apply via electronic application instructions to HKSCC

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 24 January 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Wednesday, 24 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 24 January 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 24 January 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 24 January 2018.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF IMS GROUP HOLDINGS LIMITED AND KINGSWAY CAPITAL LIMITED

Introduction

We report on the historical financial information of IMS Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-52, which comprises the consolidated statements of financial position as at 31 March 2016, 2017 and 31 July 2017 and the statements of financial position of the Company as at 31 March 2017 and 31 July 2017 and 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 the Group for each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-52 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 11 January 2018 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 of Section II to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars ("HKSIR 200") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 of Section II to the Historical Financial Information in order to design procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2017 and 31 July 2017 and the Group's financial position as at 31 March 2016 and 2017 and 31 July 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 of Section II to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 31 July 2016 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of presentation and preparation set out in Note 1(c) and 2 of Section II to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 1(c) and 2 of Section II to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 of Section II to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

BDO Limited
Certified Public Accountants
Shiu Hong Ng
Practising Certificate Number P03752
Hong Kong
11 January 2018

I. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

1. Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March		Four months ended 31 July	
		2016	2017	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	5	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	5	75	358	203	10
Other gains and losses	5	195	1,448	(1)	22
Administrative expenses		(15,720)	(15,711)	(4,786)	(5,422)
Finance costs	6	-	-	-	(32)
Listing expenses		-	(4,123)	-	(6,352)
Profit/(loss) before income tax expense		7,741	20,855	6,028	(2,348)
Income tax expense	10	(1,267)	(4,428)	(934)	(1,121)
Profit/(loss) for the year and attributable to owners of the Company		6,474	16,427	5,094	(3,469)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(1)	(85)	1	124
Other comprehensive income for the year and attributable to owners of the Company, net of tax		(1)	(85)	1	124
Total comprehensive income for the year and attributable to owners of the Company		<u>6,474</u>	<u>16,342</u>	<u>5,095</u>	<u>(3,345)</u>

(1) Represents amount less than HK\$1,000.

2. Consolidated Statements of Financial Position

	Notes	As at 31 March		As at
		2016	2017	31 July
		HK\$'000	HK\$'000	2017
				HK\$'000
Non-current assets				
Property, plant and equipment	13	828	583	604
Deposits paid for leasehold improvement	17	-	-	260
		828	583	864
Current assets				
Inventories	16	-	573	1,069
Trade and other receivables	17	11,760	17,665	18,392
Tax recoverable		1,070	299	299
Cash and cash equivalents	19	15,938	31,755	27,513
		28,768	50,292	47,273
Total assets		29,596	50,875	48,137
Current liabilities				
Amounts due to customers for contract work	15	605	-	-
Trade and other payables	20	8,796	16,438	15,210
Deferred income	22	293	137	193
Amounts due to directors	18	4,500	-	-
Dividend payable	11	-	20,000	20,000
Bank borrowing	21	-	-	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	22	63	39	133
Other payables	20	193	215	194
Deferred tax liabilities	14	43	35	24
		299	289	351
Total liabilities		15,143	40,080	40,687
NET ASSETS		14,453	10,795	7,450
Equity				
Share capital	24	-	-(1)	-(1)
Reserves	25	14,453	10,795	7,450
TOTAL EQUITY		14,453	10,795	7,450

(1) Represents amount less than HK\$1,000.

3. Consolidated Statements of Changes in Equity

	Attributable to owners of the Company					Total
	Share capital	Merger reserve (Note 25(i))	Exchange reserve (Note 25(ii))	Statutory surplus reserve (Note 25(iii))	Retained profits (Note 25(iv))	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 April 2015 . . .	-	8	-	-	7,971	7,979
Profit for the year	-	-	-	-	6,474	6,474
Other comprehensive income for the year						
Exchange differences on translating foreign operations	-	-	(1)	-	-	(1)
Total comprehensive income for the year	-	-	(1)	-	6,474	6,474
As at 31 March 2016	-	8	(1)	-	14,445	14,453
Profit for the year	-	-	-	-	16,427	16,427
Transfer to Statutory surplus reserve	-	-	-	250	(250)	-
Exchange differences on translating foreign operations	-	-	(85)	-	-	(85)
Total comprehensive income for the year	-	-	(85)	250	16,177	16,342
Issue of shares under group reorganisation (Note 24(i))	(1)	-	-	-	-	(1)
Dividend (Note 11)	-	-	-	-	(20,000)	(20,000)
As at 31 March 2017	(1)	8	(85)	250	10,622	10,795

Attributable to owners of the Company						
	Share capital	Merger reserve (Note 25(i))	Exchange reserve (Note 25(ii))	Statutory surplus reserve (Note 25(iii))	Retained profits (Note 25(iv))	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March						
2017	-(1)	8	(85)	250	10,622	10,795
Loss for the period ...	-	-	-	-	(3,469)	(3,469)
Exchange differences on translating foreign operations	-	-	124	-	-	124
Total comprehensive income for the period	-	-	124	-	(3,469)	(3,345)
Issue of shares under group reorganisation (Note 24(ii))	-(1)	-	-	-	-	-(1)
As at 31 July 2017 ...	-(1)	8	39	250	7,153	7,450
(Unaudited)						
As at 1 April 2016 ...	-	8	-(1)	-	14,445	14,453
Profit for the period ..	-	-	-	-	5,094	5,094
Exchange differences on translating foreign operations	-	-	1	-	-	1
Total comprehensive income for the period	-	-	1	-	5,094	5,095
As at 31 July 2016 ...	-	8	1	-	19,539	19,548

(1) Represents amount less than HK\$1,000.

4. Consolidated Statements of Cash Flows

	Notes	Year ended 31 March		Four months ended 31 July	
		2016	2017	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities					
Profit/(loss) before income tax expense		7,741	20,855	6,028	(2,348)
Adjustments for:					
Depreciation of property, plant and equipment	7	889	300	114	116
Interest income	5	-	(1)	-	(2)
Unrealised exchange gain, net		(16)	(180)	-	-
Gain on disposal of property, plant and equipment	5	-	(1,050)	-	-
Finance costs	6	-	-	-	32
Provision of impairment on trade receivables, net	7	379	133	133	83
Operating profit/(loss) before working capital changes		8,993	20,057	6,275	(2,119)
Increase in trade and other receivables		(465)	(6,189)	(734)	(601)
Increase in inventories		-	(573)	(1,926)	(496)
Increase/(decrease) in trade and other payables		1,139	7,951	7,130	(1,384)
Increase/(decrease) in deferred income		356	(180)	5	150
Increase/(decrease) in amounts due to customers for contract work		475	(605)	(605)	-
Cash generated from/(used in) operations		10,498	20,461	10,145	(4,450)
Income tax paid		(1,575)	(1,077)	-	(1,109)
Net cash from/(used in) operating activities		8,923	19,384	10,145	(5,559)
Cash flows from investing activities					
Purchases of property, plant and equipment	13	(27)	(55)	(9)	(137)
Deposits paid for leasehold improvement		-	-	-	(260)
Increase in amounts due from directors		-	-	(7,097)	-
Proceeds from sale of property, plant and equipment		-	1,050	-	-
Interest received		-	1	-	2
Net cash (used in)/from investing activities		(27)	996	(7,106)	(395)

	Notes	Year ended 31 March		Four months ended 31 July	
		2016	2017	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from financing activities					
Increase/(decrease) in amounts due to					
directors		902	(4,500)	97	-
Proceeds from bank borrowings		-	-	-	1,920
Repayment of bank borrowings		-	-	-	(226)
Interest paid		-	-	-	(32)
Dividend paid		(1,571)	-	-	-
Net cash (used in)/from financing activities ..	30	(669)	(4,500)	97	1,662
Net increase/(decrease) in cash and cash equivalents					
		8,227	15,880	3,136	(4,292)
Effect of exchange rate changes on cash and cash equivalents					
		-	(63)	1	50
Cash and cash equivalents at beginning of year					
		7,711	15,938	15,938	31,755
Cash and cash equivalents at end of year	19	15,938	31,755	19,075	27,513

5. Statements of Financial Position of the Company

	Notes	As at 31 March	As at 31 July
		2017	2017
		HK\$'000	HK\$'000
Non-current assets			
Investments in subsidiaries		-	10,419
Current assets			
Amount due from shareholder		-(1)	-(1)
Net-current assets and net assets		-(1)	10,419
Equity			
Share capital	24	-(1)	-(1)
Reserves	25	-	10,419
Total equity		-(1)	10,419

(1) Represents amount less than HK\$1,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. CORPORATE INFORMATION AND BASIS OF PRESENTATION****(a) General information**

The Company was incorporated in the Cayman Islands on 15 February 2017, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Since 13 October 2017, the principal place of business has been changed from Unit 1201, Block C, Seaview Estate, No. 8 Watson Road, Hong Kong to Room 1, 18/F, 148 Electric Road, North Point, Hong Kong.

Pursuant to the group reorganisation completed on 23 May 2017 (the “Reorganisation”) as detailed in Note 1(b) of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried out any business since the date of its incorporation, except for the aforementioned reorganisation. The Company is an investment holding company and its subsidiaries (together referred to as the “Group”) are principally engaged in sale of LED lighting fixtures and visual-audio system, provision of integrated LED lighting solution services, project consultancy and LED lighting system maintenance services (the “Listing Business”).

In the opinion of the directors of the Company, the Company’s immediate and ultimate holding company is The Garage Investment Limited, a company incorporated in British Virgin Islands.

Other than Shenzhen CH Alliance Trading Co. Ltd., all companies comprising the Group during the Relevant Periods have adopted 31 March as their financial year end date for statutory reporting purposes. No audited financial statements have been prepared for the Company since its date of incorporation as it has not carried out any business, other than the Reorganisation as referred to below and there is no statutory requirement for it to prepare audited financial statements. As at the date of this report, the Company has direct or indirect interests in the subsidiaries as set out below, all of which are private entities. Details of the statutory auditors of these subsidiaries are also set out below.

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION - Continued

(a) General information - Continued

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and a principal place of business	Note
		Direct	Indirect			
Pangaea Holdings Limited ("Pangaea")	The British Virgin Islands (the "BVI"), 14 May 2014, limited liability company	100%	-	US\$1,000 divided into 1,000 shares of US\$1 each	Investment holding, Hong Kong	(a)
MISG Investment Limited ("MISG Investment")	The BVI, 16 February 2017, limited liability company	100%	-	US\$1 divided into 1 shares of US\$1 each	Investment holding, Hong Kong	(a)
MIS Technology Consultants Limited ("MIS Technology Consultants")	Hong Kong, 29 April 1998, limited liability company	100%	-	Ordinary shares of HK\$100	Provision of management services to group companies, Hong Kong	(b)
MIS Technology Project Limited ("MIS Technology Project")	Hong Kong, 3 September 1999, limited liability company	-	100%	Ordinary shares of HK\$100	Sale of visual-audio system and provision of system maintenance service, Hong Kong	(b)
IMS 512 Limited ("IMS 512")	Hong Kong, 2 April 2003, limited liability company	-	100%	Ordinary shares of HK\$1,000	Sale of lighting fixtures, provision of integrated LED lighting solution services, project consultancy and LED lighting system maintenance services, Hong Kong	(b)

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION - Continued

(a) General information - Continued

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and a principal place of business	Note
		Direct	Indirect			
IMS Contracting Limited (“IMS Contracting”)	Hong Kong, 30 May 2014, limited liability company	-	100%	Ordinary shares of HK\$10,000	Dormant, Hong Kong	(b)
Bluelite Concept Limited (“Bluelite Concept”)	Hong Kong, 15 December 2009, limited liability company	-	100%	Ordinary shares of HK\$1,000,000	Sale of LED lighting fixtures and provision of integrated LED lighting solution services, Hong Kong	(b)
Bluelite Illumination Limited (“Bluelite Illumination”)	Hong Kong, 30 May 2014, limited liability company	-	100%	Ordinary shares of HK\$10,000	Sale of lighting fixtures, Hong Kong	(b)
CT 2015 Limited (“CT 2015”)	Hong Kong, 20 April 2015, limited liability company	-	100%	Ordinary shares of HK\$10,000	Investment holding, Hong Kong	(b)
Shenzhen CH Alliance Trading Co. Ltd., 深圳創恒聯盟貿易有限公司 (“Shenzhen Chuangheng”)	The People’s Republic of China (the “PRC”) 16 September 2015, limited liability company	-	100%	HK\$500,000 divided into 500,000 shares of HK\$1 each	Sale of LED lighting fixtures and related services, the PRC	(c)

- (a) No audited financial statements have been prepared for Pangaea and MISG Investment since their date of incorporation as there is no statutory requirement for them to prepare audited financial statements.
- (b) The statutory financial statements for the year ended 31 March 2016 were audited by Santos C.H. Li CPA Limited. BDO Limited is the auditor of the companies for the financial year ended 31 March 2017.
- (c) The statutory financial statements for the year ended 31 December 2016 were audited by 深圳永信瑞和會計師事務所(特殊普通合伙).

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION - Continued**(b) Reorganisation**

In preparation for the listing of shares of the Company on the GEM of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company underwent the Reorganisation which involved the following steps:

Step 1 Incorporation of the Company and investment holding companies in the BVI

- i. On 14 February 2017, Eight Dimensions Investment Limited ("Eight Dimensions") was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US\$1.00 each. One share in Eight Dimensions was issued and allotted to Mr. Yeung Wun Tang ("Mr. Andy Yeung") on the same day at par value and Eight Dimensions has been wholly owned by Mr. Andy Yeung since then.
- ii. On 14 February 2017, The Garage Investment Limited ("Garage Investment") was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US\$1.00 each. One share in Garage Investment was issued and allotted to Mr. Tam Yat Ming ("Mr. Andrew Tam") on the same day at par value and Garage Investment has been wholly owned by Mr. Andrew Tam since then.
- iii. On 15 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 380,000,000 Shares. Upon its incorporation, 1 Share was allotted and issued to the initial subscriber, which was transferred to Garage Investment on the same day, at par value. On the same day, 54 Shares were issued and allotted to Garage Investment and 45 Shares were issued and allotted to Eight Dimensions. Upon completion of the said transfer and issue and allotment, the Company was held as to 45% by Eight Dimensions and 55% by Garage Investment.
- iv. On 16 February 2017, MISG Investment was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US\$1.00 each. One share in MISG Investment was issued and allotted to the Company on the same day at par value and MISG Investment has been wholly owned by the Company since then.

Step 2 Transfer of interest in MIS Technology Project to MISG Investment

Pursuant to the share transfer agreement dated 17 May 2017, Pangaea transferred 100 shares in MIS Technology Project to MISG Investment for a nominal cash consideration of HK\$3.00. Upon completion of such transfer, MIS Technology Project became a wholly-owned subsidiary of MISG Investment.

Step 3 Transfer of interest in MIS Technology Consultants to the Company

Pursuant to the share transfer agreement dated 17 May 2017, Pangaea transferred 100 shares in MIS Technology Consultants to the Company for a nominal cash consideration of HK\$3.00. Upon completion of such transfer, MIS Technology Consultants became a wholly-owned subsidiary of the Company.

Step 4 Transfer of interest in Pangaea to the Company

Pursuant to a share swap agreement dated 23 May 2017, each of Mr. Andy Yeung and Mr. Andrew Tam transferred 450 shares and 550 shares in Pangaea, representing 45% and 55% of the entire issued share capital of Pangaea, respectively, to the Company, for a

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION - Continued**(b) Reorganisation - Continued**

consideration which was satisfied by the issue and allotment of 405 Shares of the Company to Eight Dimensions at the direction of Mr. Andy Yeung and 495 Shares of the Company to Garage Investment at the direction of Mr. Andrew Tam, all credited as fully-paid. Immediately after completion of the transfer, Pangaea became a wholly-owned subsidiary of the Company.

(c) Basis of presentation

Prior to the incorporation of the Company and the completion of the Reorganisation as described above, the Listing Business was carried on by Pangaea and its subsidiaries (hereinafter collectively referred to as the "Operating Companies").

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. 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 Historical 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 the Group for each of the years ended 31 March 2016 and 2017 and four months ended 31 July 2017 have been prepared using the historical financial information of the companies now comprising the Group as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 March 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the group structure under the Reorganisation had been in existence as at these dates. All significant intra-group transactions and balances amongst the companies now comprising the Group have been eliminated on combination.

The Historical Financial Information is presented in HK\$, which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The Historical Financial Information set out in this report has been prepared in accordance with the accounting policies below, which conform with HKFRSs effective for the accounting period commencing from 1 April 2017 issued by the HKICPA and also complies with the applicable disclosure provisions of the GEM Listing Rules throughout the Relevant Periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of preparation - Continued

The Historical Financial Information has been prepared under the historical cost basis.

Application of new and revised HKFRSs

For the purpose of preparing the Historical Financial Information, the Group has adopted all the new and revised HKFRSs consistently throughout the Relevant Periods except for the following new or revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective:

Amendments to HKAS 40	Transfers of investment property ¹
Amendments to HKFRS 10 and HKAS 28	Sale of contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Insurance contracts ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
HKFRS 16	Lease ²
HK (IFRIC) - Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) - Interpretation 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

HKFRS 9 - Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Application of new and revised HKFRSs - Continued*****HKFRS 9 - Financial Instruments - Continued***

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company consider that the adoption of HKFRS 9 in future will not have a significant impact on the Group's financial performance and position, but in general the new impairment requirements will result in earlier recognition of credit losses of the Group's trade and other receivables. The expected credit loss model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers and other debtors is low. Hence, the directors of the Company anticipate that application of the new impairment requirements under HKFRS 9 would not have material impact on the Group's future financial statements. The above assessments were made based on currently available information and may be subject to changes arising from further reasonable and supportable information being subsequently made available to the Group when the Group adopts HKFRS 9 on the effective date of 1 April 2018.

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Application of new and revised HKFRSs - Continued***HKFRS 15 - Revenue from Contracts with Customers - Continued*

The Group has performed a review of the current contractual arrangements with its customers, and the directors of the Company do not anticipate that the adoption of HKFRS 15 will have a significant impact on the Group's future financial performance and position, but more extensive disclosures on the Group's revenue transactions are required, except for the adoption of input method. The directors of the Company consider that the adoption of input method under HKFRS 15 would result an earlier recognition of both revenue and costs for the uninstalled materials procured but at a zero margin basis. However, the assessment is subject to changes arising from ongoing analysis on the Group's contracts that are not completed as at the effective date of HKFRS 15 on 1 April 2018.

*Amendments HKFRS 15 - Revenue from Contracts with customers
(Clarification to HKFRS 15)*

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 Lease

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 23 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises as at 31 March 2017 and 31 July 2017 amounted to approximately HK\$824,000 and HK\$1,475,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Application of new and revised HKFRSs - Continued***HKFRS 16 Lease - Continued*

The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated cash flow statement.

HK (IFRIC) - Interpretation 22 –Foreign Currency Transactions and Advance Consideration

The interpretation specifies that the date of a transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of it) when the related consideration was paid or received in advance is the date the advance consideration was initially recognised.

In other words, on initial recognition of the related income, expense or asset, the consideration paid or received in advance should not be re-measured for changes in exchange rates occurring between the date of initial recognition of the advance consideration and the date of recognition of the transaction to which that consideration relates.

The interpretation will not have material impact on the financial performance or position of the Group.

HK (IFRIC) - Interpretation 23 - Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 Income Taxes when there is uncertainty over income tax treatments, addressing four specific issues:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity should make about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances

The interpretation will not have material impact on the financial performance or position of the Group.

Significant accounting policies**2.1 Business combination and basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Significant accounting policies - Continued

2.1 Business combination and basis of consolidation - Continued

made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Significant accounting policies - Continued

2.3 Property, plant and equipment - Continued

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The principal annual rates are as follows:

Leasehold improvements	33.33%
Office equipment	20%
Motor vehicles	20-25%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

2.4 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

(i) Financial assets

The Group's financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary assets. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Significant accounting policies - Continued****2.4 Financial instruments - Continued****(ii) Impairment loss on financial assets**

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined to be uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

Financial liabilities include trade and other payables, amounts due to directors and related parties. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Significant accounting policies - Continued****2.4 Financial instruments - Continued****(iv) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

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

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

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Significant accounting policies - Continued****2.5 Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The total rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

2.6 Employee benefits**(i) Defined contribution retirement plan**

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary operating in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme.

(ii) Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.7 Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Significant accounting policies - Continued****2.7 Construction contracts - Continued**

comprise site labour costs (including site supervision); costs of subcontracting; costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the Relevant Periods.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

2.8 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period. In which case, the rates approximate to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interest as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income accumulated in equity as foreign exchange reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Significant accounting policies - Continued****2.9 Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) Income from integrated LED lighting solution projects is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the associated contract costs of the contracting work can be measured reliably. The stage of completion of a contract is established by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs (Note 2.7).
- (ii) Consultancy service income and maintenance service income is recognised upon services rendered;
- (iii) Sale of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer; and
- (iv) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

2.10 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

2.11 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Significant accounting policies - Continued****2.11 Provisions and contingent liabilities - Continued**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provision for warranty costs is made on an accrual basis by reference to the directors' best estimate of the expenditure required to settle the obligations taking account of the Group's recent claim history, and is charged to the income statement in the period in which the related sales are made. Subsequent expenditure on the settlement of such obligations is charged against the provision made, except where the expenditure exceeds the balance of the provision, in which case, it is charged to the income statement as incurred.

2.12 Impairment of non-financial assets

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

2.13 Cash and cash equivalents

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

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Significant accounting policies - Continued****2.14 Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

2.15 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bring the inventories to their present location and conditions. Cost is calculated using the first in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Significant accounting policies - Continued****2.16 Research and development costs**

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Historical Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Relevant Periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Historical Financial Information was prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Construction contract revenue recognition

Recognised amount of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability 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 would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY - Continued

Estimates and assumptions - Continued

(ii) Impairment of trade and other receivables

The Group 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). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial conditions of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(iii) Income tax and deferred taxation

Significant judgement is required in determining whether or not the Group is subject to income taxes in the jurisdictions it operates. Transactions and calculations may exist for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has recognised income tax and deferred liabilities at the end of each of the Relevant Periods based on its 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.

(iv) Warranty provisions

As disclose in Note 20(c), the Group makes provision for warrants for its Integrated LED lighting solution services taking into account the Group's recent claim history. As the Group is continually improving the product quality, it is possible that the recent claim history is not indicative of the extent of future claims the Group will need to settle in respect of past sales. Any increase or decrease in provision would affect the profit or loss of the Group in future years.

4. SEGMENT INFORMATION

Operating segments

During the Relevant Periods, the Group was principally engaged in sale of LED lighting fixtures and visual-audio system, provision of integrated LED lighting solution services, project consultancy and LED lighting system maintenance services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole. The Group's resources are integrated and as a result, no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

4. SEGMENT INFORMATION - Continued

Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

The Group comprises the following major geographical segments:

	Revenue from external customers by customers' location			
	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Hong Kong (place of domicile)	16,168	33,280	7,623	1,685
Asia (excluding Hong Kong and the PRC)	24,833	22,953	8,798	8,105
The PRC	42	8,799	3	6,959
Europe	157	1,584	-	122
Others	926	827	181	1,644
	25,958	34,163	8,982	16,830
	42,126	67,443	16,605	18,515

	Specified non-current assets by assets' location		
	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
Hong Kong (place of domicile)	828	568	583
The PRC	-	15	21
	828	583	604

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Relevant Periods is as follows:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Customer D	4,521	*	3,609	*
Customer B	*	7,753	1,661	*
Customer E	*	*	*	2,866
Customer I	*	*	2,066	2,097

* Less than 10% of the Group's revenue

The revenue attributed from above major customers was derived from a single operating segment of the Group.

5. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

Revenue includes the net invoiced value of goods sold, project consultancy and maintenance services rendered and contract revenue on LED lighting solution projects earned by the Group. The amounts of each significant category of revenue recognised during the Relevant Periods are as follows:

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

An analysis of the Group's other income and other gains and losses recognised during the Relevant Periods are as follows:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Other income				
Bank interest income	-	1	-	2
Sundry income	20	15	4	8
Sale of components	55	342	199	-
	<u>75</u>	<u>358</u>	<u>203</u>	<u>10</u>
Other gains and losses				
Reversal of impairment on trade receivables	120	-	-	18
Exchange gain/(loss), net	75	398	(1)	4
Gain on disposal of property, plant and equipment	-	1,050	-	-
	<u>195</u>	<u>1,448</u>	<u>(1)</u>	<u>22</u>

6. FINANCE COSTS

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Interest on bank borrowing	-	-	-	32

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
			(Unaudited)	
Costs of inventories recognised as expenses	12,917	22,923	4,147	7,753
Auditor's remuneration	138	300	-	18
Depreciation (Note 13)	889	300	114	116
Operating lease rentals in respect of:				
- Land and buildings	1,573	1,692	529	548
- Plant and equipment	32	32	11	11
Provision of impairment on trade receivables, net	379	133	133	83
Employee benefit expenses (Note 8)	13,412	14,985	4,373	4,544
Listing expenses	-	4,123	-	6,352
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
			(Unaudited)	
Wages and salaries	12,826	14,330	4,173	4,193
Post-employment benefits - payment to defined contribution retirement plan	409	432	137	179
Other benefits	177	223	63	172
	<u>13,412</u>	<u>14,985</u>	<u>4,373</u>	<u>4,544</u>

Employee benefit expenses included amounts of HK\$1,018,000, HK\$1,018,000, HK\$314,000 and HK\$314,000 charged to profit or loss as research and development expenditure for the year ended 31 March 2016 and 2017 and for the four months ended 31 July 2016 and 2017 respectively.

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

Details of the directors' remuneration paid or payable for each of the Relevant Periods by the entities comprising the Group to those directors of subsidiaries who were appointed as directors of the Company on 15 February 2017 are as follows:

	Fees	Basic salaries, allowance and other benefits	Contribution to defined contribution retirement plan	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Four months ended 31 July 2017				
Executive directors:				
Mr. Andrew Tam	-	510	6	516
Mr. Andy Yeung	-	578	6	584
	-	1,088	12	1,100
Four months ended 31 July 2016 (unaudited)				
Executive directors:				
Mr. Andrew Tam	-	510	6	516
Mr. Andy Yeung	-	578	6	584
	-	1,088	12	1,100
Year ended 31 March 2017				
Executive directors:				
Mr. Andrew Tam	-	1,659	18	1,677
Mr. Andy Yeung	-	1,880	18	1,898
	-	3,539	36	3,575

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS -
Continued

(i) Directors' remuneration - Continued

	Fees	Basic salaries, allowance and other benefits	Contribution to defined contribution retirement plan	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2016				
Executive directors:				
Mr. Andrew Tam	-	1,659	18	1,677
Mr. Andy Yeung	-	1,880	18	1,898
	-	3,539	36	3,575

Basic salaries, allowance and other benefits paid or payable to the executive directors are generally emoluments paid or payable in connection with the management of the affairs of the Group.

Subsequent to the end of the Relevant Periods, Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee were appointed as independent non-executive directors of the Company on 22 December 2017. There were no fees or other emoluments payable to the independent non-executive directors during the Relevant Periods.

During the Relevant Periods, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals of the Group for each of the years ended 31 March 2016 and 2017, and four months ended 31 July 2016 and 2017 included 2 directors whose emoluments are set out in the analysis above. The remuneration of the remaining three non director highest paid individuals is as follows:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Basic salaries, bonuses and other allowances	3,114	2,498	570	463
Post-employment benefits - Contribution to defined contribution retirement plan	48	51	18	18
	3,162	2,549	588	481

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS - Continued

(ii) Five highest paid individuals - Continued

Their remuneration fell within the following bands:

	No. of employees			
	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
			(Unaudited)	
Nil to HK\$1,000,000	1	2	3	3
HK\$1,000,001 to HK\$1,500,000	2	1	-	-

During the Relevant Periods, none of the non director highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the non director highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(iii) Senior management's emoluments excluding the directors

The emoluments paid or payable to senior management (excluding the directors) are within the following bands:

	No. of employees			
	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
			(Unaudited)	
Nil to HK\$1,000,000	1	2	1	2

The emoluments of the senior management are not included in the remuneration of the three non director highest paid individuals set out in Note 9 (ii) above.

10. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of comprehensive income represents:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	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 - overseas profits tax				
- current year	-	1,106	-	865
	-	1,106	-	865
Deferred tax credit (Note 14)	(72)	(8)	(11)	(11)
Income tax expense	1,267	4,428	934	1,121
Effective tax rate	16.4%	21.2%	15.5%	(47.7%)

10. INCOME TAX EXPENSE - Continued

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% during the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit/(loss) before income tax expense per the consolidated statements of comprehensive income as follows:

	<u>Year ended 31 March</u>		<u>Four months ended 31 July</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit/(loss) before income tax expense	<u>7,741</u>	<u>20,855</u>	<u>6,028</u>	<u>(2,348)</u>
Tax calculated at the applicable statutory tax rate of 16.5%	1,277	3,441	995	(387)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	-	376	-	364
Tax effect of income not subject to tax	-	(173)	-	-
Tax effect of expense not deductible for tax purpose	7	843	3	1,066
Temporary differences not recognised	48	-	(1)	(24)
Tax effect of tax loss not recognised	-	24	-	142
Tax concession	(100)	(80)	(60)	(40)
Over-provision in respect of prior years	-	(11)	-	-
Others	<u>35</u>	<u>8</u>	<u>(3)</u>	<u>-</u>
Income tax expense at the effective tax rate	<u>1,267</u>	<u>4,428</u>	<u>934</u>	<u>1,121</u>

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

Dividends in aggregation of approximately HK\$1,571,000 paid during the year ended 31 March 2016 represented interim dividends of approximately HK\$503,000, HK\$708,000 and HK\$360,000 declared and paid by the group entities, IMS 512, MIS Technology Project and MIS Technology Consultants respectively to their then shareholders before the Reorganisation.

On 26 January 2017, an interim dividend of HK\$20,000 per ordinary share and in aggregation of HK\$20,000,000 was declared by Pangaea to its then shareholders.

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and preparation of results on a consolidated basis for the Relevant Periods as described in Note 1 above.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 April 2015	1,374	372	3,507	5,253
Additions	-	27	-	27
Disposals	-	-	(226)	(226)
At 31 March 2016	1,374	399	3,281	5,054
Additions	-	55	-	55
Disposals	-	-	(2,067)	(2,067)
Exchange realignment	-	⁽¹⁾	-	⁽¹⁾
At 31 March 2017	1,374	454	1,214	3,042
Additions	-	137	-	137
Exchange realignment	-	-	-	-
At 31 July 2017	1,374	591	1,214	3,179
Accumulated depreciation				
At 1 April 2015	1,141	205	2,217	3,563
Provided for the year	233	72	584	889
Eliminated on disposal	-	-	(226)	(226)
At 31 March 2016	1,374	277	2,575	4,226
Provided for the year	-	61	239	300
Eliminated on disposal	-	-	(2,067)	(2,067)
Exchange realignment	-	⁽¹⁾	-	⁽¹⁾
At 31 March 2017	1,374	338	747	2,459
Provided for the year	-	23	93	116
Exchange realignment	-	⁽¹⁾	-	⁽¹⁾
At 31 July 2017	1,374	361	840	2,575
Net book value				
At 31 July 2017	-	230	374	604
At 31 March 2017	-	116	467	583
At 31 March 2016	-	122	706	828

⁽¹⁾ Represents amount less than HK\$1,000.

14. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the Relevant Periods are as follows:

	Accelerated depreciation allowances
	HK\$'000
At 1 April 2015	(115)
Credited to profit or loss for the year (Note 10)	72
At 31 March 2016	(43)
Credited to profit or loss for the year (Note 10)	8
At 31 March 2017	(35)
Credited to profit or loss for the year (Note 10)	11
At 31 July 2017	<u>(24)</u>

Certain subsidiaries of the Group had estimated tax losses arising in Hong Kong amounting to approximately HK\$ Nil, HK\$147,000 and HK\$1,010,000 as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, that are available indefinitely for offsetting against their future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax losses can be carried forward indefinitely.

15. AMOUNTS DUE TO CUSTOMERS FOR CONTRACT WORK

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the end of reporting periods:			
Contract costs incurred	527	-	-
Recognised profits less recognised losses	1,614	-	-
	<u>2,141</u>	-	-
Less: progress billings	(2,746)	-	-
	<u>(605)</u>	<u>-</u>	<u>-</u>
Represented by:			
Amounts due from customers for contract work	-	-	-
Amounts due to customers for contract work	605	-	-
	<u>605</u>	<u>-</u>	<u>-</u>

16. INVENTORIES

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
	HK\$'000	HK\$'000	HK\$'000
Finished goods	-	573	1,069
	<u>-</u>	<u>573</u>	<u>1,069</u>

17. TRADE AND OTHER RECEIVABLES

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000
Trade receivables (note (a))	11,236	15,499	13,801
Other receivables (note (b))	31	64	168
Prepayments and deposits (note (b))	493	2,102	4,683
Total	11,760	17,665	18,652
Less: Non-current portion			
Deposits paid for leasehold improvement (note (b))	-	-	(260)
Current Portion	<u>11,760</u>	<u>17,665</u>	<u>18,392</u>

(a)

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	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)
	<u>11,236</u>	<u>15,499</u>	<u>13,801</u>

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

Customers are generally granted a credit period between 0 and 30 days. Applications for progress payments on projects are made on a regular basis.

The following is an analysis of trade receivables by age based on the invoice date:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000
Less than 1 month	2,162	11,154	4,224
1 to 3 months	1,537	1,905	1,546
3 months to 6 months	1,523	253	6,369
More than 6 months but less than one year	1,521	1,044	137
More than one year	4,493	1,143	1,525
	<u>11,236</u>	<u>15,499</u>	<u>13,801</u>

17. TRADE AND OTHER RECEIVABLES - Continued

(a) - Continued

Movements in provision for impairment of trade receivables are as follows:

	As at 31 March		As at
	2016	2017	31 July 2017
	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	2,663	3,042	3,175
Impairment losses recognised	499	133	101
Recovery of impairment loss previously recognised	(120)	-	(18)
At the end of the year	<u>3,042</u>	<u>3,175</u>	<u>3,258</u>

At the end of each of the Relevant Periods, the Group reviews receivables for evidence of impairment on both an individual and collective basis. The above impairment of trade receivables of approximately HK\$3,042,000, HK\$3,175,000 and HK\$3,258,000 was made for individually impaired trade receivables with an aggregate carrying amount of approximately HK\$4,219,000, HK\$4,178,000 and HK\$3,908,000 as at 31 March 2016 and 2017 and 31 July 2017 respectively. These individually impaired trade receivables include customers who have ceased business relationship with the Group and could no longer be contacted by the Group.

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

	As at 31 March		As at
	2016	2017	31 July 2017
	HK\$'000	HK\$'000	HK\$'000
Not past due	-	-	1,207
Less than 1 month past due	2,127	10,352	2,994
1 to 3 months past due	986	1,812	1,413
More than 3 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
	<u>10,059</u>	<u>14,496</u>	<u>13,151</u>

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

- (b) The above balances of other receivables, prepayments and deposits as at 31 March 2016, 2017 and 31 July 2017 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

18. AMOUNTS DUE TO DIRECTORS

An analysis of the amounts due to directors is as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
Mr. Andrew Tam	3,559	-	-
Mr. Andy Yeung	941	-	-
	<u>4,500</u>	<u>-</u>	<u>-</u>

The amounts due to directors were unsecured, interest-free and had no fixed terms of repayment.

19. CASH AND CASH EQUIVALENTS

Cash and bank balances comprise cash at banks and cash on hand held by the Group. Bank balances earn interests at floating rates based on daily bank deposit rates and are deposited with creditworthy banks with no recent history of default.

Bank balances and cash included an amount of approximately HK\$Nil, HK\$2,111,000, HK\$1,731,000 denominated in Renminbi and deposited in PRC for the years ended 31 March 2016 and 2017 and four months ended 31 July 2017 respectively. Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currency and remittance of Renminbi out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

20. TRADE AND OTHER PAYABLES

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
Trade payables (note (a))	7,090	11,424	6,550
Other payables:			
Receipts in advance (note (b))	387	1,204	1,955
Provision of warranties (note (c))	399	451	389
Other payables and accruals (note (d))	<u>1,113</u>	<u>3,574</u>	<u>6,510</u>
Total	8,989	16,653	15,404
Less: Non-current portion			
Provision of warranties (note (c))	<u>(193)</u>	<u>(215)</u>	<u>(194)</u>
Total current portion	<u>8,796</u>	<u>16,438</u>	<u>15,210</u>

20. TRADE AND OTHER PAYABLES - Continued

- (a) An ageing analysis of trade payables as at the end of each of the Relevant Periods, based on invoice date is as follows:

	As at 31 March		As at
	2016	2017	31 July 2017
	HK\$'000	HK\$'000	HK\$'000
Current or less than 1 month	1,158	5,171	2,653
1 to 3 months	798	593	270
4 to 6 months	1,044	967	2,141
7 to 12 months	1,858	1,245	139
More than 1 year	2,232	3,448	1,347
	<u>7,090</u>	<u>11,424</u>	<u>6,550</u>

The Group's trade payables are non-interest bearing. The credit period granted by suppliers is generally between 0 and 30 days.

- (b) Receipts in advance represent trade deposits received from the customers in connection with the contract works and sales. Receipts in advance are expected to be recognised as revenue of the Group within one year from the reporting date.

- (c) Provision for warranties

Provision for warranties for Integrated LED lighting solution services provided are as follows:

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

- (d) Other payables and accruals are non-interest bearing and have average payment terms between one and three months.

21. BANK BORROWING

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Secured interest bearing bank loan:			
Repayable within one year	-	-	943
Repayable after one year but settled before the reporting date	-	-	751
	<u>-</u>	<u>-</u>	<u>1,694</u>
Analysed based on scheduled repayment terms set out in the loan agreement, into:			
Not later than one year	-	-	943
Later than one year and not later than two years	-	-	751
	<u>-</u>	<u>-</u>	<u>1,694</u>

On 6 April 2017, the Group obtained a bank loan of HK\$1,920,000 which was secured by the unlimited personal guarantees executed by the executive directors, Mr. Andrew Lam and Mr. Andy Yeung, and repayable within two years. The bank loan bore interest at 3.6% per annum. The balance of the bank loan was fully settled on 18 September 2017.

22. DEFERRED INCOME

The deferred revenue is in respect of the Group's maintenance services income:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Deferred income	356	176	326
Less: Non-current portion	(63)	(39)	(133)
Current portion	<u>293</u>	<u>137</u>	<u>193</u>

23. LEASES

The Group leased its premises of principal place of business and office equipment under operating lease arrangement which are negotiated for terms between two and five years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Not later than one year	1,594	806	856
Later than one year and not later than five years	723	18	619
	<u>2,317</u>	<u>824</u>	<u>1,475</u>

24. SHARE CAPITAL

	<u>Notes</u>	<u>Number of ordinary shares</u>	<u>Amount</u> HK\$
Authorised:			
Ordinary shares of HK\$0.001 each			
At 15 February 2017 (date of incorporation), and 31 March 2017 and 31 July 2017	(i)	<u>380,000,000</u>	<u>380,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.001 each			
At 15 February 2017 (date of incorporation), and 31 March 2017	(i)	100	-
Issue of shares upon Reorganisation	(ii)	<u>900</u>	<u>1</u>
At 31 July 2017		<u>1,000</u>	<u>1</u>

- (i) The Company was incorporated in the Cayman Islands on 15 February 2017 with an authorised share capital of HK\$380,000 divided into 380,000,000 ordinary shares of HK\$0.001 each. Upon incorporation, 1 ordinary share of HK\$0.001 each was allotted and issued to the initial subscriber at HK\$0.001, which was transferred to Garage Investment on the same day, at par value. On the same day, 54 ordinary shares were issued and allotted to Garage Investment and 45 ordinary shares were issued and allotted to Eight Dimensions. Further details on the Company's share capital are set out in the sub-paragraph headed "Changes in Share Capital of our Company" in Appendix IV to the Prospectus.
- (ii) On 23 May 2017, 495 ordinary shares of the Company were issued and allotted to Garage Investment and 405 ordinary shares of the Company were issued and allotted to Eight Dimensions, all credited as fully paid, as consideration for the acquisition of the entire issued share capital of Pangaea. Immediately upon completion of Reorganisation, Pangaea became a wholly-owned subsidiary of the Company.

25. RESERVES

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity of this report.

The nature and purpose of reserves within equity are as follows:

i) Merger reserve

It represents the difference between the Company's investment costs in subsidiaries and the aggregated share capital of the subsidiaries whose shares were transferred to the Company pursuant the Reorganisation.

ii) Exchange reserve

It comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

25. RESERVES - Continuediii) Statutory surplus reserve

In accordance with the relevant regulation in PRC, a subsidiary operating in the PRC is required to transfer 10% of its profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of its respective registered capital. The statutory surplus reserve is non-distributable, and is subject to certain restrictions set out in the relevant regulations in the PRC. This reserve can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above usages.

iv) Retained profits

It represents cumulative net profits recognised in the consolidated statements of profit or loss and other comprehensive income.

Movements in the Company's reserves during the Relevant Periods are as follows:

	Contributed surplus (Note)	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000
As at 15 February 2017 (Date of incorporation)	-	-	-
Profit for the period	-	-	-
As at 31 March 2017	-	-	-
Profit for the period	-	-	-
Issue of shares upon Reorganisation (Note 24(ii))	10,419	-	10,419
As at 31 July 2017	<u>10,419</u>	<u>-</u>	<u>10,419</u>

Note: Contributed surplus of approximately HK\$10,419,000 represents the excess of the then carrying amount of the Company's share of equity value of a subsidiary, Pangaea, acquired and the nominal value of the Company's shares issued for such acquisition.

26. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Group does not have any significant transactions with its related parties or transactions which constituted connected transactions as defined in Chapter 20 of the GEM Listing Rules.

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the Relevant Periods are set out in Note 9 to the Historical Financial Information.

27. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, liquidity risk, interest rate risk and currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

27. FINANCIAL RISK MANAGEMENT - Continued

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group does not hold or issue derivative financial instruments either for hedging or trading purposes.

(a) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and primarily in connection with trade receivables and other receivables and deposits with banks.

The credit risk of the Group's trade and receivables are concentrated, as 5.3%, 23.0% and 0.1% of such receivables were derived from the largest customer and 49.0%, 56.1% and 27.9% were derived from five largest customers as at 31 March 2016, 2017 and 31 July 2017, respectively. Management considered the credit risk is limited since the Group trades only with customers with an appropriate credit history and good reputation. Management regularly monitored the financial background and creditability of the Group's customers .

Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Relevant Periods and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies. Hence management does not expect any losses to arise from non-performance of these banks.

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserve of cash and adequate committed lines of funding from major banks, if necessary, to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Relevant Periods and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loan settled before the reporting date is included in the band of less than 3 months regardless of the scheduled repayment dates set out in the loan agreement. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

27. FINANCIAL RISK MANAGEMENT - Continued

(b) Liquidity risk - Continued

	On demand	Less than 3 months	3 to 12 months	Over 1 year but less than 2 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 July 2017					
Trade and other payables	13,449	-	-	-	13,449
Bank borrowings	-	1,713	-	-	1,713
Dividend payable	20,000	-	-	-	20,000
	<u>33,449</u>	<u>1,713</u>	<u>-</u>	<u>-</u>	<u>35,162</u>
At 31 March 2017					
Trade and other payables	15,449	-	-	-	15,449
Dividend payable	20,000	-	-	-	20,000
	<u>35,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,449</u>
At 31 March 2016					
Trade and other payables	8,602	-	-	-	8,602
Amounts due to directors	4,500	-	-	-	4,500
	<u>13,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,102</u>

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should a need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of each of the reporting period were outstanding for the whole year. 25 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances.

If interest rates on bank balances had been 25 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit or loss for the years ended 31 March 2016, 2017 and the four months ended 31 July 2017 is as follows:

	As at 31 March		As at
	2016	2017	31 July 2017
	HK\$'000	HK\$'000	HK\$'000
Increase/(decrease) in profit for the year/period			
- as a result of increase in interest rate	-	5	6
- as a result of decrease in interest rate	-	(5)	(6)
	<u>-</u>	<u>(5)</u>	<u>(6)</u>

27. FINANCIAL RISK MANAGEMENT - Continued

(d) Currency risk

The Group currently does not have a hedging policy to mitigate its exposure to foreign exchange risk. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the group entity concerned.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the each of the Relevant Periods to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The Group is mainly exposed to the fluctuation of United States dollars ("US\$") and Renminbi ("RMB"). For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of each of the Relevant Periods as follows:

	US\$ HK\$'000	RMB HK\$'000
As at 31 July 2017		
Cash and bank balances	-	1,731
Trade and other receivables	40	7,754
Trade and other payables	(58)	(5,690)
	<u>(18)</u>	<u>3,795</u>
As at 31 March 2017		
Cash and bank balances	-	2,111
Trade and other receivables	100	6,292
Trade and other payables	(97)	(8,895)
	<u>3</u>	<u>(492)</u>
As at 31 March 2016		
Trade and other receivables	693	-
Trade and other payables	(46)	(18)
	<u>647</u>	<u>(18)</u>

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit or loss after tax (and retained earnings) and other components of consolidated equity in response to reasonably changes in foreign exchange rates to which the Group has significant exposure at the end of each of the Relevant Periods.

	Increase in foreign exchange rates %	Increase in loss after tax and decrease in retained profits HK\$'000
As at 31 July 2017		
RMB	<u>3</u>	<u>114</u>

27. FINANCIAL RISK MANAGEMENT - Continued

(d) Currency risk - Continued

(ii) Sensitivity analysis - Continued

	<u>Increase in foreign exchange rates</u>	<u>Increase in profit after tax and retained profits</u>
As at 31 March 2017		
RMB	6	30
As at 31 March 2016		
RMB	<u>3</u>	<u>1</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each of the Relevant Periods and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date. In this respect, it is assumed that the pegged rate between the HK\$ and the US\$ would be materially unaffected by any changes in movement in value of the US\$ against HK\$. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities profit after tax and equity measured in the respective functional currencies, translated into HK\$ at the exchange rate ruling at the end of the each of the reporting period for presentation purposes.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes in the objectives, policies or processes were made during the Relevant Periods.

The capital structure of the Group consists of equity attributable to equity holders of the Company only, comprising share capital and reserves.

The Group monitors capital risk using gearing ratio, which is interest-bearing debts divided by the total equity.

27. FINANCIAL RISK MANAGEMENT - Continued

(e) Capital risk management - Continued

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000
Interest-bearing debts	-	-	1,694
Total equity	14,453	10,795	7,450
Gearing ratio	N/A	N/A	23%

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000
Loans and receivables			
Trade and other receivables	11,702	16,013	14,768
Cash and cash equivalents	15,938	31,755	27,513
	<u>27,640</u>	<u>47,768</u>	<u>42,281</u>
Financial liabilities at amortised cost			
Trade and other payables	8,602	15,449	13,449
Amounts due to directors	4,500	-	-
Bank borrowings	-	-	1,694
Dividend payable	-	20,000	20,000
	<u>13,102</u>	<u>35,449</u>	<u>35,143</u>

Due to their short term nature, the carrying value of trade and other receivables, cash and cash equivalents, trade and other payables, amounts due to directors and dividend payable approximate to fair value.

29. COMMITMENTS

The Group's capital commitments at the end of Relevant Periods are as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for:			
Property, plant and equipment	-	-	50

30. NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Amounts due to directors	Bank borrowing	Interest payable	Dividend payable	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	3,598	-	-	1,571	5,169
Cash flows	<u>902</u>	<u>-</u>	<u>-</u>	<u>(1,571)</u>	<u>(669)</u>
At 31 March 2016	4,500	-	-	-	4,500
Cash flows	<u>(4,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,500)</u>
<i>Non-cash changes</i>					
Interim dividend declared	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
At 31 March 2017	-	-	-	20,000	20,000
Cash flows	<u>-</u>	<u>1,694</u>	<u>(32)</u>	<u>-</u>	<u>1,662</u>
<i>Non-cash changes</i>					
Borrowing interest incurred	<u>-</u>	<u>-</u>	<u>32</u>	<u>-</u>	<u>32</u>
At 31 July 2017	<u>-</u>	<u>1,694</u>	<u>-</u>	<u>20,000</u>	<u>21,694</u>
<i>(Unaudited)</i>					
At 1 April 2016	4,500	-	-	-	4,500
Cash flows	<u>97</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97</u>
At 31 July 2016	<u>4,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,597</u>

III. DIRECTORS' REMUNERATION

Save as disclosed in Note 9(i) of Section II above, no other remuneration has been paid or is payable to the directors of the Company in respect of the Relevant Periods.

IV. SUBSEQUENT EVENTS

Subsequent to 31 July 2017 and up to the date of this report, the following significant events have taken place:

- (a) On 22 August 2017 and 17 November 2017, Pangaea settled dividend payables of HK\$10,000,000 and HK\$5,000,000 respectively with its then shareholders.
- (b) On 18 September 2017, the Group repaid the balance of the bank borrowing in full.
- (c) On 22 December 2017, written resolutions were passed to effect the transactions as set out in the sub-paragraph headed "Written Resolutions of the Shareholders Passed on 22 December 2017" in Appendix IV to the Prospectus, certain of which are disclosed as follows:
 - (i) The authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 9,620,000,000 shares.
 - (ii) The capitalisation issue was approved and directors of the Company were authorised to capitalise an amount of HK\$749,999 standing to the credit of the share premium account of the Company to pay up in full at par 749,999,000 shares for allotment and issue to The Garage Investment Limited and Eight Dimensions Investment Limited, each ranking

pari passu in all respects with the then existing issued shares, and directors of the Company were authorised to give effect to such capitalisation.

- (iii) The Company's Share Option Scheme was adopted, details of the which are set out in the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus.

Save as disclosed above, no other significant events have taken place subsequent to 31 July 2017.

V. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 July 2017.

The information set forth in this appendix does not form part of the Accountants' Report on the financial information of the Group for the two years ended 31 March 2017 and the four months ended 31 July 2017 prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this Prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the "Accountants' Report" set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set forth here to illustrate the effect of the proposed Share Offer on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017 as if the proposed Share Offer had taken place on 31 July 2017. Because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017 or at any future dates following the proposed Share Offer.

	Consolidated net tangible assets attributable to the owners of the Company as at 31 July 2017	Estimated net proceeds from the proposed Share Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share
	HK\$'000 (note 1)	HK\$'000 (note 2)	HK\$'000	HK\$ (note 3)
Based on the Offer Price of HK\$0.20	<u>7,450</u>	<u>34,463</u>	<u>41,913</u>	<u>0.0419</u>
Based on the Offer Price of HK\$0.40	<u>7,450</u>	<u>80,213</u>	<u>87,663</u>	<u>0.0877</u>

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 is extracted from the Accountants' Report set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the proposed Share Offer are based on 250,000,000 Offer Shares and the indicative Offer Price of HK\$0.20 and HK\$0.40 per Share, being the minimum and maximum Offer Price per Share, respectively, assuming no exercise of Offer Size Adjustment Option or any options may be granted under the Share Option Scheme, after deduction of the underwriting fees and other related expenses payable and borne by the Company which have not been reflected in consolidated net tangible assets of the Group as at 31 July 2017.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the proposed Share Offer assuming the proposed Share Offer had been completed on 31 July 2017 and no exercise of the Offer Size Adjustment Option or any options may be granted under the Share Option Scheme and no Shares which may be allotted, issued or repurchased by the Company pursuant to

the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this Prospectus or otherwise.

- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2017.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this Prospectus, received from the reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this Prospectus.



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of IMS Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of IMS Group Holdings Limited (the "Company") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Company as at 31 July 2017 and related notes as set out on pages II-1 to II-2 of Appendix II of the Company's prospectus dated 11 January 2018 (the "Prospectus") in connection with the proposed initial public offering and placing of the shares of the Company (the "Proposed Share Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Share Offer on the Company's consolidated financial position as at 31 July 2017 as if the Proposed Share Offer had taken place at 31 July 2017. As part of this process, information about the Company's consolidated financial position has been extracted by the directors of the Company from the Company's financial information for the four months ended 31 July 2017, on which an accountants' report set out in Appendix I of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants' plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Share Offer at 31 July 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

BDO Limited
Certified Public Accountants
Hong Kong
11 January 2018

Set out below is a summary of certain provisions of the Memorandum of Association and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 February, 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 December 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) **Power of the Company to purchase its own shares**

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) **Calls on shares and forfeiture of shares**

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares,

together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office

with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) **Power to allot and issue shares and warrants**

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) **Power to dispose of the assets of the Company or any of its subsidiaries**

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting.

(iv) **Borrowing powers**

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the

Company and, subject to the Cayman Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) **Compensation or payments for loss of office**

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the

case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) **Annual general meetings**

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) **Notices of meetings and business to be conducted**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the

shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise.

In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and

the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company

consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 14 March 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This

letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this Prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of the Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 15 February 2017. Our Company has established its principal place of business in Hong Kong at Room 1, 18/F 148 Electric Road North Point Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 20 March 2017. Our Company has appointed Tam Yat Ming Andrew of Room 1, 18/F 148 Electric Road North Point Hong Kong as the authorised representative of the Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the Cayman Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of various provisions of our Company's constitution and certain relevant aspects of the Cayman Companies Law is set out in Appendix III to this Prospectus.

2. Changes in Share Capital of our Company**(a) Changes in share capital**

- (i) As at the date of incorporation of our Company, our authorised share capital was HK\$380,000 divided into 380,000,000 Shares. At the time of its incorporation, one Share was allotted and issued fully-paid to the initial subscriber, which was transferred to Garage Investment, and on the same day an additional 54 Shares were issued and allotted to Garage Investment and 45 Shares were issued and allotted to Eight Dimensions.
- (ii) On 23 May 2017, our Company allotted and issued 405 Shares to Eight Dimensions and 495 Shares to Garage Investment in consideration of Mr. Yeung and Mr. Tam transferred 450 shares in Pangaea and 550 shares in Pangaea (representing the entire issued shares of Pangaea) to our Company.
- (iii) Pursuant to the written resolutions of the Shareholders passed on 22 December 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 380,000,000 Shares to HK\$10,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,620,000,000 Shares.
- (iv) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or the exercise of any option which may be granted under the Share Option Scheme), the authorised share capital of our Company is HK\$10,000,000 divided into 10,000,000,000 Shares, of which 1,000,000,000 Shares are issued, fully-paid or credited as fully-paid, and 9,000,000,000 Shares will remain unissued.

Other than upon the exercise of the Offer Size Adjustment Option or the exercise of the options which may be granted under the Share Option Scheme, there is no present intention to issue any part of our authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the paragraph “— 3. Written Resolutions of the Shareholders Passed on 22 December 2017” below, there has been no alteration in the share capital of our Company since its incorporation.

(b) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

3. Written Resolutions of the Shareholders Passed on 22 December 2017

On 22 December 2017, written resolutions of the Shareholders were passed pursuant to which, among others:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 380,000,000 Shares to HK\$10,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,620,000,000 Shares;
- (b) our Company approved and adopted the Memorandum of Association with immediate effect;
- (c) our Company approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;
- (d) conditional on (aa) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Share Offer, the Capitalisation Issue, the Offer Size Adjustment Option and the Share Option Scheme); and (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this Prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this Prospectus:
 - (i) the Share Offer and the granting of the Offer Size Adjustment Option were approved and the Directors were authorised to allot and issue the Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph headed “D. Share Option Scheme” in this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise HK\$9,620,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 9,620,000,000 Shares for allotment and issue to holder of Shares whose name appears on the register of members of our Company at the close of business on 22 December 2017 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation and distribution;
 - (iv) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip

dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options granted or to be granted under the Share Option Scheme, or under the Capitalisation Issue or the Share Offer or upon the exercise of the Offer Size Adjustment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any option granted or to be granted under the Share Option Scheme, and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any option granted or to be granted under the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Corporate Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this Prospectus.

5. Changes in Share Capital of Subsidiaries

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this Prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this Prospectus.

6. Particulars of Our Subsidiaries

Particulars of our subsidiaries are set forth in the Accountants’ Report, the text of which is set forth in Appendix I to this Prospectus.

7. Securities Repurchase Mandate

This paragraph includes the information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction. Pursuant to a resolution in writing passed by the Shareholders on 22 December 2017, the Repurchase Mandate was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or the exercise of any option granted or to be granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association and applicable laws to be held, or the passing of an ordinary resolution of Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association and the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Companies law, any repurchases by our Company may be made out of profits of our Company, out of sums standing to the credit of our Company's share premium account, out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the applicable laws of the Cayman Islands and the GEM Listing Rules.

On the basis of the current financial position of our Group as disclosed in this Prospectus and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchases Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this Prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Listing, would result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum of Association and the Articles of Association, and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of the Group within the two years preceding the date of this Prospectus and are or may be material:

- (a) the Deed of Indemnity;
- (b) the Deed of Non-Competition; and
- (c) the Public Offer Underwriting Agreement.

2. Intellectual Property of the Group

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks in Hong Kong:

Trademark	Class	Registered owner	Trademark number	Place of Registration	Date of Registration
	9 & 11	IMS 512	304062429	Hong Kong	28 July 2017
	9 & 11	Bluelite Concept	304113828	Hong Kong	27 November 2017

Notes:

Class 9

Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus; LED displays; programmes

Class 11

Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes. Christmas lights; LED lighting products; lighting apparatus and installations

(b) Patents

As at the Latest Practicable Date, the Group was the registered owner of the following patents in the PRC:

No.	Patent	Type	Registered owner	Patent number	Place of registration	Expiry date
1.	LED lights – Hidden ceiling spotlights (LED燈 - 隱藏式天花射燈)	Design	Bluelite Illumination	201630081780.7	PRC	20 March 2026
2.	LED lights – Light cabinet tube lights (circular) (LED燈 - 輕型櫃槽燈管 (圓形))	Design	Bluelite Illumination	201630081779.4	PRC	20 March 2026
3.	LED lights – Light cabinet tube lights (rectangular) (LED燈 - 輕型櫃槽燈管 (方形))	Design	Bluelite Illumination	201630081778.X	PRC	20 March 2026
4.	LED lights – Cabinet spotlights (LED燈 - 櫃籠射燈)	Design	Bluelite Illumination	201630081774.1	PRC	20 March 2026
5.	LED lights – Hidden cabinet lights (LED燈 - 隱藏式櫃燈)	Design	Bluelite Illumination	201630081781.1	PRC	20 March 2026

(c) Domain names

As at the Latest Practicable Date, the Group was the registered proprietor of the following domain names:

Domain Name	Registered owner	Registration date	Expiry Date
imgroupholdings.com	the Company	14 November 2017	14 November 2018
ims512.com	IMS 512	12 December 2005	12 December 2018
misav.com	MIS Technology Consultants	18 October 2002	18 October 2019
bluelite-global.com	Bluelite Concept	12 November 2015	12 November 2018

Information contained in the above websites does not form part of this Prospectus.

Save as disclosed above, there are no other trademarks or other intellectual property rights which are material in relation to the business of our Company.

3. Related Party Transactions

Save as disclosed in the section headed “Financial Information” and in note 24 to the Accountants’ Report, the text of which is set out in Appendix I to this Prospectus, during the two years immediately preceding the date of this Prospectus, the Company has not engaged in any other material related party transactions.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SHAREHOLDERS**1. Disclosure of Interests****(a) Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations**

Immediately following completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, once the Shares are listed, will be as follows:

Name of Director	Nature of interest	Number of Shares⁽¹⁾	Approximate percentage of shareholding in our Company
Mr. Yeung ⁽²⁾	Interest in a controlled corporation	337,500,000(L)	33.75%
Mr. Tam ⁽³⁾	Interest in a controlled corporation	412,500,000(L)	41.25%

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Mr. Yeung holds the entire issued share capital of Eight Dimensions. By virtue of the SFO, Mr. Yeung is deemed to be interested in the 337,500,000 Shares in which Eight Dimensions is interested.
- (3) Mr. Tam holds the entire issued share capital of Garage Investment. By virtue of the SFO, Mr. Tam is deemed to be interested in the 412,500,000 Shares in which Garage Investment is interested.

(b) *Interest and/or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders*

Save as disclosed in the section “Substantial Shareholders” in this Prospectus, our Directors and chief executive of our Company are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer (but without taking account of any Shares which may be taken up or acquired under the Share Offer and any Shares which may be issued under the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the paragraph “C. Further Information About Our Directors And Shareholders — 1. Disclosure of Interests — (a) Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations” above, which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

- (c) Mr. Yeung and Mr. Tam are interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph headed “B. Further Information about our Business — 1. Summary of Material Contracts” in this Appendix.
- (d) Save as disclosed in this Prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this Prospectus.

2. Particulars of Directors’ Service Contracts and Remuneration

(a) *Particulars of Directors’ service contracts*

Executive Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service contract). Each of the executive Directors is entitled to their respective basic salaries set out below.

The current basic annual remuneration payable by our Group to the executive Directors are as follows:

<u>Name</u>	<u>Approximate annual remuneration (HK\$)</u>
Mr. Yeung	1,787,500
Mr. Tam	1,787,500

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director’s fee of HK\$180,000 per annum. Save for directors’ fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Directors' remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors was approximately HK\$3,575,000 for each of the years ended 31 March 2016 and 31 March 2017 and HK\$1,088,000 for the four months ended 31 July 2017.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 March 2018 are expected to be approximately HK\$4 million.
- (iii) During the Track Record Period, none of the Directors or any past directors of any member of our Group has been paid any sum of money (aa) as an inducement to join or upon joining our Group or (bb) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) During the Track Record Period, there has been no arrangement under which a Director has waived or agreed to any emoluments.

3. Disclaimers

Save as disclosed in this Prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer, the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Capitalisation Issue and the Share Offer will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors or the chief executives of our Company has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the GEM;
- (c) none of our Directors nor any of the parties listed in the paragraph headed "E. Other Information — 6. Qualifications of Experts" below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

- (d) none of our Directors nor any of the parties listed in the paragraph “E. Other Information – 6. Qualifications of Experts” below is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph “E. Other Information — 6. Qualifications of Experts” below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors, their respective close associates or Shareholders of our Company is interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers and/or customers.

D. SHARE OPTION SCHEME

Summary of Terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 22 December 2017. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (“**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; and
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the

grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option and accepted by the Eligible Participant in the manner as specified in this paragraph. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in an integral multiple of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to allot the Shares on the exercise of Options.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking no account of any Shares which may be issued under the exercise of the Offer Size Adjustment Option), being 100,000,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the GEM Listing Rules) (or his associates if the participant is a connected person (as defined in the GEM Listing Rules)) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such Eligible Participant must be fixed before the Shareholders’ approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:
 - (aa) the Eligible Participant’s name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

- (gg) the date of the notice given by the grantee in respect of the exercise of the option; and
- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall, subject to any adjustments made pursuant to paragraph (r) be at the absolute discretion of the Board, provided that it shall be not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of the Shares.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which the Grantee, his/her associates and all core connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.

(h) Restrictions on the time of grant of options

The Board shall not make an offer for the grant of an option to any Eligible Participant after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the last date on which the Company must publish an announcement of its results for any year, or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules), and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing by a grantee shall entitle the Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of the Company (the "**Adoption Date**"). Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which an offer of option is made to an Eligible Participant.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee, who is an employee of the Group at the time of the grant of the option, ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with the Company and/or any of its subsidiaries on one or more of the grounds

specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) in whole or in part in accordance with paragraph (c) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as the Company may determine); or

- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract, his/her option will lapse and not be exercisable after the date of termination of his/her employment. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company no later than two Business Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of the Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to

enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

If there has been any alteration in the capital structure of the Company, the Company shall, upon receipt of a notice from a grantee in accordance with paragraph (c), inform the grantee of such alteration and shall either inform the grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser to the Company obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the grantee of such fact and instruct the auditors or the independent financial adviser to the Company as soon as practicable thereafter to issue a certificate in that regard.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l) and (n);
- (iii) the date upon which the scheme of arrangement of the Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of the Company;
- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms and any adjustment to be made to the exercise price of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the GEM Listing Rules from

time to time and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(u) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all persons who may be affected.

(x) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to the passing of the necessary resolution to adopt the Share Option Scheme by the shareholders of the Company and is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Joint Bookrunners (for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during

the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

E. OTHER INFORMATION

1. Tax and Other Indemnity

The Controlling Shareholders, (the “**Indemnifiers**”) have entered into a deed of indemnity (“**Deed of Indemnity**”) with and in favour of the Company (for itself and as trustee for its subsidiaries stated therein) (being the material contract (a) referred to in the paragraph headed “B. Further Information About Our Business — 1. Summary of Material Contracts” above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing;
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, transactions, events, profits or gains earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;
- (c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional; and
- (d) all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the legal proceedings and non-compliance matters by any member of our Group as described in the section headed “Business – Regulatory Compliance and Legal Proceedings” in this Prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date.

- (e) all costs (including all legal costs), expenses, interests, penalties, fines, charges or other liabilities which any member of our Group has incurred at any time on or before the dealings in the Shares on GEM first commence in connection with:
 - (i) the investigation, assessment, the contesting of any disputes, arbitrations or legal proceedings;
 - (ii) the settlement of any disputes, arbitrations or legal proceedings; or
 - (iii) the enforcement of any such settlement or judgments, falling on any member of our Group which might be payable by our Company in respect of any incomes, profits or gains earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into).

The Indemnifier is under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 July 2017;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 August 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this Prospectus; or
- (c) to the extent that such taxation liabilities or claims arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or taxation claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 July 2017 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifier has also undertaken to our Group that it will indemnify and at all times keeps our Group fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of

operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

2. Litigation

Save as disclosed in the section headed “Business — Regulatory Compliance and Legal Proceedings” in this Prospectus, as at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus and any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Sole Sponsor is independent from the Company pursuant to Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor will be paid by the Company a total fee of HK\$5.15 million to act as the sponsor to the Company in connection with the Share Offer.

4. Preliminary Expenses

The preliminary expenses of the Company are estimated to be approximately HK\$23.9 million and are payable by the Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules. Save as disclosed above, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Share Offer or the related transactions described in this Prospectus.

6. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:

Name	Qualification
Kingsway Capital Limited	A corporation licenced to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants, Hong Kong
BDO Tax Limited	Tax adviser
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
China Commercial Law Firm, Guang Dong	PRC legal adviser to the Company
Mr. Julian C.P. Yeung	Hong Kong Barrister-at-law
Frost & Sullivan International Limited	Independent industry consultant
ZHONGHUI ANDA Risk Services Limited	Internal control adviser

7. Consents of Experts

Each of the experts named in paragraph headed “E. Other Information — 6. Qualifications of Experts” above has given and has not withdrawn its consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or data (as the case may be) and references to its name included in the form and context in which it respectively appears.

As at the Latest Practicable Date and save as disclosed in this Prospectus, none of the experts named in paragraph 6 above has any shareholding interests in the Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group.

8. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Agency Fees or Commission Received

The Underwriters will receive an underwriting commission as referred to under the section headed “Underwriting — Underwriting Arrangements and Expenses — Total Commissions and Expenses” in this Prospectus.

10. Miscellaneous

- (a) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iv) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.
- (b) Since 31 July 2017, being the date of our latest audited consolidated financial results as set out in “Appendix I — Accountants’ Report” to this document, there has been no material adverse change in the financial or trading position or prospects of the Group.
- (c) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Prospectus.

- (d) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (e) The Group has no outstanding convertible debt securities.
- (f) There are no arrangements in existence under which future dividends are to be or agreed to be waived.
- (g) Our Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by our Company in conjunction with our English name does not contravene the Cayman Companies Law.

11. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

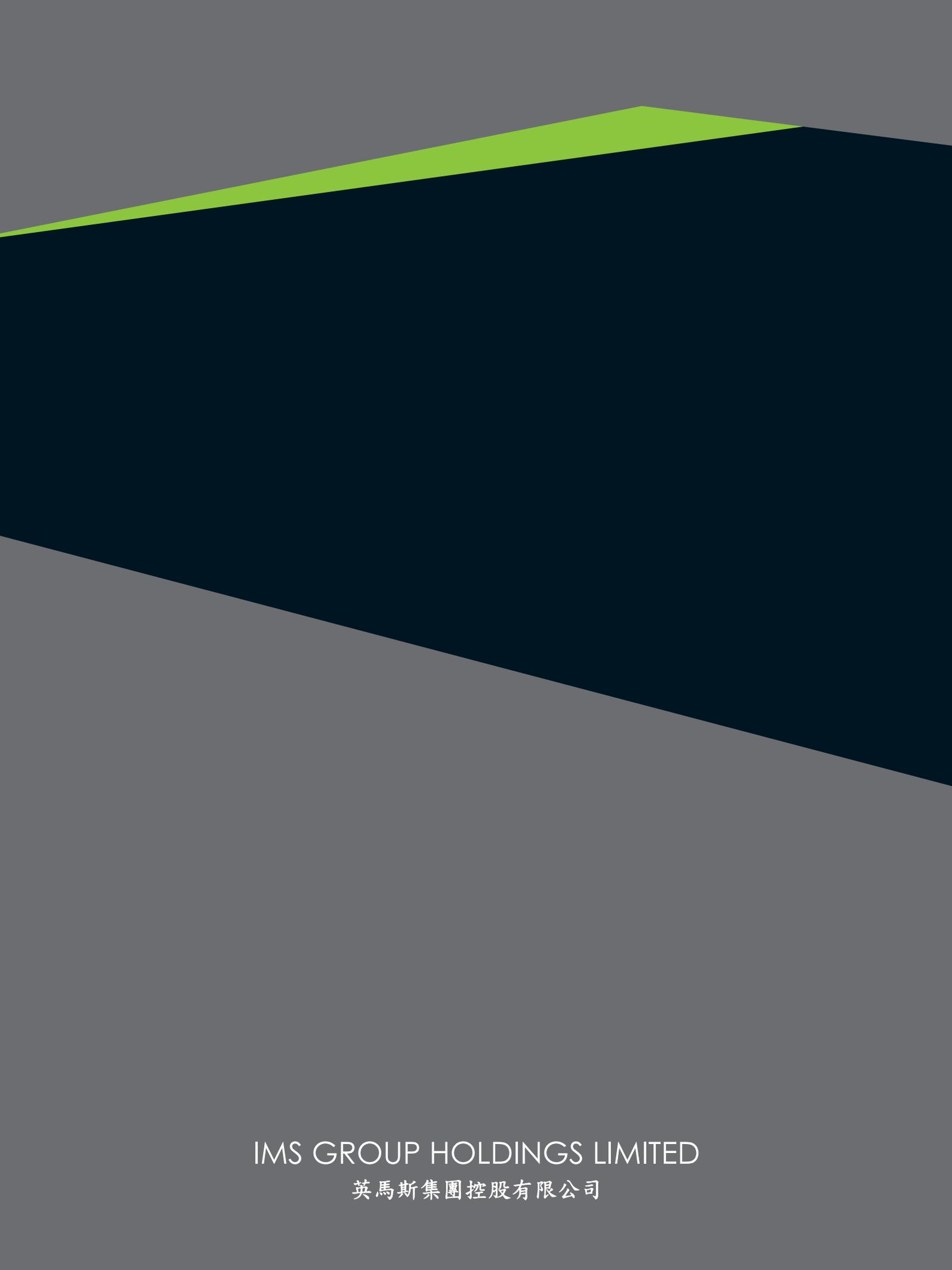
DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst others, copies of (a) the written consents referred to in the paragraph headed “E. Other Information — 7. Consents of Experts” in Appendix IV to this Prospectus; and (b) copies of each of the material contracts referred to in the paragraph headed “B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Troutman Sanders at 34/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours from 9:00 a.m. to 1:00 p.m. and 2:00 p.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this Prospectus:

1. the Memorandum of Association and Articles of Association of the Company;
2. the Accountants’ Report prepared by BDO Limited, the text of which is set out in Appendix I to this Prospectus;
3. the audited consolidated financial statements of our Group for each of the years ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017;
4. the report on unaudited pro forma financial information of our Group prepared by BDO Limited, the text of which is set out in Appendix II to this Prospectus;
5. the corporate tax review memorandum prepared by BDO Tax Limited;
6. the rules of the Share Option Scheme;
7. the Cayman Companies Law;
8. the letter of advice issued by Conyers Dill & Pearman summarising certain aspects of Cayman Companies Law as referred to in Appendix III to this Prospectus;
9. the PRC legal opinion issued by China Commercial Law Firm, Guang Dong, our legal advisers as to PRC laws;
10. the material contracts referred to in the paragraph headed “B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV to this Prospectus;
11. the written consents referred to in the paragraph headed “E. Other Information — 7. Consents of Experts” in Appendix IV to this Prospectus;
12. the service contracts and the letters of appointment referred to in the section “C. Further Information about our Directors and Shareholders — 2. Particulars of Directors’ Service Contracts and Remuneration — (a) Particulars of Directors’ Service Contracts” in Appendix IV to this Prospectus;
13. the Frost & Sullivan Report;
14. the legal opinion(s) prepared by Mr. Julian C.P. Yeung, Hong Kong Barrister-at-law; and
15. the internal control report prepared by ZHONGHUI ANDA Risk Services Limited.



IMS GROUP HOLDINGS LIMITED
英馬斯集團控股有限公司