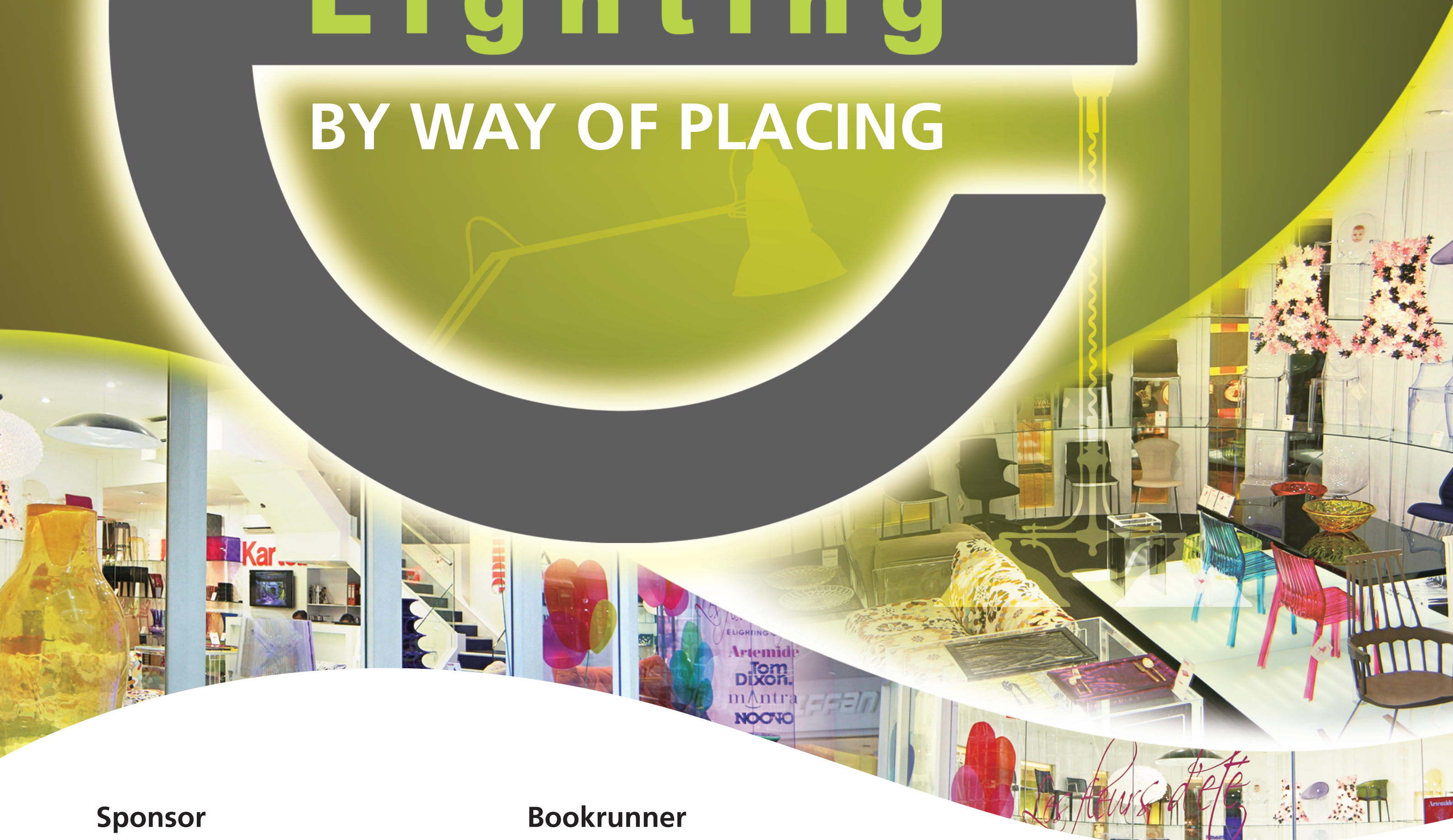
e Lighting Group Holdings Limited
壹照明集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8222

eLighting

BY WAY OF PLACING



Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

Bookrunner

Quam Securities & Futures 華富嘉洛證券期貨

Joint Lead Managers

Quam Securities & Futures 華富嘉洛證券期貨

AmCap
Ample Orient Capital Limited

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

E Lighting Group Holdings Limited
壹照明集團控股有限公司

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

Number of Placing Shares	**:**	**100,000,000 Placing Shares (Subject to the Offer Size Adjustment Option)**
Placing Price	**:**	**Not more than HK$0.6 per Placing Share and expected to be not less than HK$0.5 per Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund)**
Nominal Value	**:**	**HK$0.01 each**
Stock Code	**:**	**8222**

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AmCap
Ample Orient Capital Limited

Co-Managers

億聲證券有限公司 Brilliant Norton Securities Company Limited

Convoy Investment Services Limited 康宏証券投資服務有限公司

GREAT ROC CAPITAL SECURITIES LIMITED 鴻鵬資本證券有限公司

SBI China Capital 軟庫中華金融服務有限公司 SBI China Capital Financial Services Limited

A copy of this prospectus, having attached thereto the documents specified under "Documents Delivered to the Registrar of Companies in Hong Kong 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 of Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Placing Price is expected to be fixed by the Price Determination Agreement between our Company and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) on the Price Determination Date, which is expected to be on or before 24 September 2014. The Placing Price will not be more than HK$0.6 per Placing Share and is expected to be not less than HK$0.5 per Placing Share. If our Company and the Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters), the Placing will not become unconditional and will not proceed.

The Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) may, with our consent, reduce the indicative Placing Price range below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, notices of reduction of the indicative Placing Price will be published on our website at **www.elighting.asia** and the website of the Stock Exchange at **www.hkexnews.hk**.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" of this prospectus.

Prospective investors of the Placing Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to us given by the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters), upon the occurrence of any of the events set forth under the sub-section headed "Underwriting — Grounds for termination" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, but without limitation to, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infections disease, calamity, crisis, terrorism, strike or lock-out.

22 September 2014

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 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. Listed companies are not generally required to issue paid announcements in gazetted newspaper. 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.

	(Note 1)
Expected Price Determination Date *(Note 2)* at or before 5:00 p.m. on	24 September 2014
Announcement of the determination of the Placing Price and the indication of interest level in the Placing to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.elighting.asia** on or before	26 September 2014
Allotment of the Placing Shares on or before	26 September 2014
Despatch or deposit of Share certificates into CCASS on or before *(Note 3)*	26 September 2014
Dealings in Shares on GEM to commence at 9:00 a.m. on	29 September 2014

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates. If there is any change in the above expected timetable, an announcement will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.elighting.asia**.

2. The Price Determination Date is scheduled on 24 September 2014 (or such later date agreed between us and the Bookrunner (for itself and on behalf of the Underwriters)). If the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date (or such later date agreed between us and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters)), the Placing will not become unconditional and will lapse immediately.

3. The share certificate for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before 26 September 2014 for credit to the respective CCASS participants' or the CCASS investor participants' stock accounts designated by the Bookrunner (for itself and on behalf of the Underwriters), the placees or their agents, as the case may be. No temporary documents of title will be issued by us.

4. For details of the structure of the Placing, including conditions thereof, please refer to the section headed "Structure and Conditions of the Placing" of this prospectus.

All Share certificates will only become valid certificates of title of the Shares which they relate provided that the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

You should rely only on the information contained in this prospectus to make your investment decision.

Our Company, the Sponsor, the Bookrunner, the Joint Lead Managers, the Co-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 us, the Sponsor, the Bookrunner, the Joint Lead Managers, the Co-Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other party involved in the Placing.

The contents on the website at www.elighting.asia which is the official website of our Company do not form part of this prospectus.

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

OVERVIEW OF BUSINESS

We are a retail chain business in lighting and designer label furniture and accessory products in Hong Kong. We offer a wide selection of products with different designs at varying price range to cater for different customer groups from all walks of life. We position ourselves in the market as a brand operator and brand-driven retailer of quality lighting and designer label furniture products. We are currently the designated or authorised distributor in Hong Kong of lighting and furniture products from over 30 international brands and designer labels. These ranges from generic, commonplace products like ceiling lights to luminaries from a number of renowned international brands and designer labels in the world, including principally ARTEMIDE, KARTELL and TOM DIXON. We are not the exclusive distributor of the products we sell and we are aware that certain of our competitors in Hong Kong also carry certain of our products. We do not sell products under our own brand name and only sell products of third party brands.

We distribute our products through a network of retail stores strategically situated in favourable locations in Hong Kong. As at the Latest Practicable Date, we had a total of 17 retail outlets in Hong Kong. According to the Ipsos Report, we were ranked as the largest lighting specialty retailer in Hong Kong in 2013 in terms of both revenue and number of retail outlets with a market share of approximately 12.1% of the total revenue of the lighting product retail industry.

OUR BUSINESS MODEL

Business process

Our business process can be analysed as encompassing the following principal steps:

I. *Brand selection*

We explore the profile of new brands in the international scene to identify brands with promising potential within the Hong Kong market based on our brand management expertise and industry experience accumulated through years of our business involvement with various international brands and designer labels. When finalising on the selection of a new brand, we primarily base our decision on their reputation and professional image; quality and design talent exhibited by their products; and alliance of the new brand with our strategic direction.

II. *Product selection*

We select from the full range of products of those new incoming brands the specific products we evaluated to be well received by the local market. We base our final product selection decision on our insight with characteristic local consumer behaviour and experience accumulated over the years in direct dealing with customers and brand managers in our chosen fields.

III. *Supplier procurement*

We proceed to commercial scale ordering for those product models we have put through test trial and evaluated to have positive market response. We source our selected products directly from suppliers and manufacturers in various overseas countries, as well as from local and PRC suppliers. Our purchases are exclusively outright purchase of finished products on a piecemeal and order-by-order basis. We typically do not enter into any long term supply arrangement. All of our supplies are finished products and deliveries are primarily made to our centralised warehouse in Hong Kong. Some of our Light Fittings orders of small batches for a specific retail outlet, LED light bulbs and electricity panels, etc. may be delivered directly to our retail stores.

IV. *Retail merchandising*

We distribute our selected merchandising items throughout our retail chain network for making display and sales to customers. We consummate our sale process with the design layout and decorations of our retails outlets with promotional materials such as stickers, brand tags and posters that contribute to the overall customer buying experience. We leverage on the large number of international brands we carry to blend and combine the arsenal of product varieties at our disposal to come up with a most appealing combination for a designated retail outlet.

Retail network

According to the Ipsos Report, we possess one of the most extensive retail chain networks of lighting products in Hong Kong. As at the Latest Practicable Date, we operated a total of 17 retail outlets attributing aggregate gross floor area of approximately 28,513 sq.ft. Set out below is an analysis of the regional distribution of our retail network:

	Number of retail outlets in the area	Approximate aggregate gross floor area (sq.ft.)
Morrison Hill Road, Wanchai, Hong Kong Island	9	22,042
Lockhart Road, Wanchai, Hong Kong Island	3	1,200
Mongkok, Kowloon	2	2,635
Shatin, New Territories	3	2,636

We presently do not have other sales making arrangement or distribution channels apart from our own retail chain networks.

Clustering retail business approach

We have strategically situated 9 of our retail outlets (out of our total 17 retail outlets) within close vicinity of each other in Morrison Hill Road, Wanchai, which when added to the other retail stores for lighting appliance products owned by other fellow competitors in Morrison Hill Road, generate a consolidation effect to promote the area as being a primary locus for lighting appliance products. This in turn promotes customer traffic and sales capacity for the area and enables us to benefit therefrom.

Sub-branding of own trademarks

Our respective retail outlets are designated by the sub-branding with our own trademarks. Our leading trademark is E LIGHTING, followed by other sub-ordinate trademarks, namely E DESIGN, E COLLECTION, MANHATTAN, EUROLUX, METROPOLIS and ELEMENT LIGHTING DESIGN. We have also accorded our retail outlets with varying distinguishing sales themes to enhance their distinctive market positioning.

Lighting appliance products and luminaries

Our range of lighting appliance products and luminaries encompass the following categories:

- Premium global brand luminaries

- Quality decorative lamps of primarily European origin

- Commonplace Light Fittings and lighting appliance products
- Ceiling fan Light Fittings
- LED light bulbs
- Electrical switches and panels

Please refer to the sub-section headed "Business — Our Products" of this prospectus for details of the respective product category carried by ourselves.

Designer label furniture and accessory products

The designer label furniture and accessory products distributed by us principally include products from KARTELL of Italy, which is a globally renowned brand, and include such items as designer chairs, tables and modular wares of variously diverse applications. We also carry selected assortment of furniture products from TOM DIXON and another Italian brand.

Product Pricing

We have a uniform product price list which is applied across our retail chain network and to be followed by our attendant salesmen with each of our retail outlets. Certain of our major suppliers impose uniform pricing policies across different distributors. These uniform pricing policies from suppliers normally assume the schema of a suggested price list which fellow distributors are expected or recommended to follow. For these suppliers with uniform pricing policies, we may concede with bargain from the customers to offer them with limited sales discount to the specified tag price, but it is expected that we may not modify the tag price without prior consent from the suppliers. We generally exercise more self-discretionary control over pricing of products other than from the above named suppliers. We determine the appropriate pricing for these other products with regard to our assessment of the consumer spending behaviour for these products and prevailing prices of similar products offered by our competitors.

CUSTOMERS

Our customers are individual members of the public coming from all walks of life and we do not target customer groups of any particular sex, age or income range. Nevertheless, customers coming from middle-class to upscale social circles with higher disposable income are of strategic importance to us, as these are the customers principally buying our premium branding and designer label products which are the backbone of our branding profile. Our 5 largest customers during the Track Record Period are all Independent Third Parties and sales to these customers together accounted for less than 5% of our total turnover for the Track Record Period.

SUPPLIERS

Our business depends on our ability to maintain stable and adequate supply of inventories to meet customers' demand for our lighting and designer label furniture products. Our suppliers include global brand owners and designer labels located in overseas countries of Italy, Germany, the United Kingdom, etc., and also a number of Hong Kong and PRC suppliers. We, as a retailer, are required and have been designated or authorised by the relevant brand-owner before we can sell products carrying their brand names or designer labels. We typically do not enter into long-term written contracts with suppliers. Instead, we work with our suppliers, including our major suppliers, on an order-by-order basis. We believe that our established brand management expertise and sales capacity with our favourable retail network will promote a secure long term working relationship with our suppliers and cushion us against loss of any major suppliers that may entail. Our 5 largest suppliers during the Track Record Period are Independent Third Parties and we have business relationships with these major suppliers ranging from 2 to 10 years. Details of the background of these 5 largest suppliers are set out on pages 148 in the paragraph headed "Business — Purchases and suppliers — Purchasing from suppliers" of this prospectus.

COMPETITIVE STRENGTHS

We believe our success is principally attributable to the following competitive strengths:

- We possess one of the most extensive retail chain networks in Hong Kong for lighting and designer label products which considerably bolster our sales-making capacity.
- We have successfully established a distinctive market positioning as knowledgeable professional in quality lighting and designer furniture products in Hong Kong.
- We have distinguishing brand management expertise and are able to showcase and well present our brands.
- We excel in terms of product variety, inventory availability and affordability, and are able to afford our customers with a fuller spectrum of products than our competitors.
- We are the partner of choice for international brands coming to the Hong Kong market.
- We have established long-term working relationship with our key suppliers which enable us to keep abreast of the latest trends with their products and emerging market trends.
- We have an experienced management team well versed in business acumen not commonly found with our fellow competitors.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Placing (but without taking into account the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme), Time Prestige will own the following number and proportional interest in our Shares, and will count as our Controlling Shareholder:

Controlling Shareholder	Number of Shares held	Percentage interest in issued share capital
Time Prestige (wholly-owned by Mr. Hui)	210,000,000	52.5%

Immediately following completion of the Capitalisation Issue and the Placing (but without taking into account the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme), apart from Time Prestige, Star Adventure will own the following number and proportional interest in our Shares, and will count as our Substantial Shareholder:

Substantial Shareholder	Number of Shares held	Percentage interest in issued share capital
Star Adventure (wholly-owned by Mr. Hue)	45,000,000	11.25%

Each of Mr. Hui and Mr. Hue is our executive Director. Mr. Hui is the chief executive officer of our Company. Mr. Hue is the chairman of our Company. Mr. Hue is the younger brother of Mr. Hui.

Pursuant to the Share Option Scheme, share options may be granted to eligible persons including our Directors to subscribe for Shares in aggregate not exceeding 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme. The exercise of these share options will result in a dilution to the percentage ownership of other Shareholders, and a corresponding dilution in the earnings per Share and net assets per Share attributable to these other Shareholders, as a result of the increase in the number of Shares outstanding after the issuance.

The Controlling Shareholders will continue to control more than 30% of our Shares, irrespective of whether the Offer Size Adjustment Option and any share options granted under the Share Option Scheme is exercised fully or partially, or at all.

The Controlling Shareholders have confirmed that they do not hold or conduct any business which competes or may compete, either directly or indirectly, with our business.

SUMMARY OF FINANCIAL INFORMATION

The following table is a summary of the combined results of our Group for the two years ended 31 March 2013 and 2014, which have been extracted from, and should be read in conjunction with, the Accountants' Report set out in Appendix I to this prospectus.

Combined Statements of Comprehensive Income

	Year ended 31 March			
	2013		2014	
	HK$'000	% of revenue	HK$'000	% of revenue
Turnover	68,779	100.0%	79,158	100.0%
Gross profit	39,914	58.0%	47,183	59.6%
Profit from operations	10,622	15.4%	7,524	9.5%
Profit for the year	9,055	13.2%	5,857	7.4%

To illustrate the profitability of our Group's operation, certain non-recurring gain and expense items were excluded to arrive at the adjusted profit for the year as set out below.

	Year ended 31 March	
	2013	2014
	HK$'000	HK$'000
Profit for the year	9,055	5,857
Add: Listing expense	—	2,758
Loss on disposal of property, plant and equipment	—	71
Adjusted profit for the year	9,055	8,686

Combined Statements of Financial Position

	As at 31 March	
	2013	2014
	HK$'000	HK$'000
Current assets	18,027	25,703
Non-current assets	5,838	6,829
Current liabilities	8,621	11,431
Net current assets	9,406	14,272
Net assets	15,244	21,101

Our revenue increased from approximately HK$68.8 million for the year ended 31 March 2013 to approximately HK$79.2 million for the year ended 31 March 2014, representing an increase of approximately 15.1%. Such increase was mainly attributable to the prominent growth in sales revenue contribution for our retail zone in Shatin, New Territories, as we opened a lighting store ascribing a retail floor area of 1,204 sq. ft. in this retail zone in November 2012. The business of this lighting store was in operation for approximately 4 months during the year ended 31 March 2013, while it was in operation for a full 12 months during the year ended 31 March 2014, with corresponding significant increase in sales revenue contribution. In addition, we first established in this retail zone our KARTELL mono-branded furniture store around September 2011, and as the business of this store continued with its growth into the year ended 31 March 2014, we recorded increasingly higher sales revenue. As the business of this store became increasingly stabilised, we expanded our product range and revenue streams by furnishing the store with a higher proportion of sizable furniture of higher value. Since these retail outlets are situated in one of the largest shopping malls for home furnishing products in the New Territories and this premium location generally commands higher customer traffic and a higher customer purchasing power per capita, there was a prominent increase in revenue contribution from our retail zone in Shatin, New Territories during the Track Record Period.

In July 2012, we further opened a flagship lighting and furniture store on the side of Hong Kong Island in Morrison Hill Road, with a whole floor area dedicated to the sale of KARTELL products. As the business of this lighting store was in operation for approximately 8 months during the year ended 31 March 2013, while it was in operation for a full 12 months during the year ended 31 March 2014, there was a corresponding increase in revenue contribution for the year concerned. We opened an additional three new lighting product retail outlets in various regions in Hong Kong during the year ended 31 March 2014, including a flagship store on the side of Kowloon Peninsula. The expansion in our retail chain network bolsters our sales-making capacity and further contributed to our growth in sales revenue.

We recorded gross profit margin of 58.0% and 59.6% for the years ended 31 March 2013 and 2014, respectively. We consider the growth in gross profit margin is mainly because we have dedicated more of our resources in recent years to the active store profiling of the product mix to accommodate changing market environment, including the enhancing of our focus on high quality; premium priced European branded products and LED products, which generally attribute a higher profit margin. We consider our market strategy serve to upgrade our business profile and over the long term will enable us to grow in the recent market environment of reduced business volume and gradual shift of customer preference from non-branded products to branded products.

Notwithstanding the overall growth in our Group's aggregate sales revenue for the year ended 31 March 2014, our net profit (excluding mainly the effect of Listing expenses) for the year ended 31 March 2014 amounted to approximately HK$8.7 million, as compared to the same of approximately HK$9.1 million for the year ended 31 March 2013, representing a decline by approximately 4.4%. We managed to grow our Group's sales revenue for the year ended 31 March 2014 mainly by way of the expansion of our retail chain network through the opening of new retail outlets. In addition, as highlighted in the paragraph headed "Comparable sales for principal geographical retail zones" below, for existing stores located in our retail zones of Mongkok and Shatin, we recorded an increase in sales revenue through growing the business volume with the same store on a year-to-year basis. Notwithstanding the aforesaid, with the prevailing more difficult business environment with household furnishing products in Hong Kong due to the low transaction volume within the property market, we experienced a more difficult time in growing our revenue at a sufficiently fast rate to keep up with the increasing rental cost and overhead. In particular, a generally lower sales volume per retail outlet was attributed to our clustering retail zone in Morrison Hill Road, Wanchai, which accounted for more than 60% of our overall revenue base, while alongside the halted high price level with the Hong Kong property market, our rental cost continued to escalate as we opened more retail outlets and renewed tenancies at higher rental rates with existing retail outlets during the Track Record Period. In addition, certain of our retail outlets opened during the year was in their initial launching stage and have not reached their full sales capacity, thus further impeding ourselves from attaining a more favourable result of operation.

As at 31 March 2013 and 2014, we recorded net current assets of approximately HK$9.4 million and HK$14.3 million, respectively. The increase in net current assets throughout the Track Record Period primarily reflected (i) an increase in inventories to accommodate our enlarged sales capacity as we opened more retail outlets and also as a result of the adjustment of our product mix to enhance the proportion of high value merchandise product items; (ii) an increase in trade and other receivables out of additional rental deposits for our new store openings and prepayment for Listing expenses; and (iii) cash and cash equivalents which increased from our profitable operations. Please refer to the section headed "Financial Information" of this prospectus for further information regarding our financial performance and financial position during the Track Record Period.

Revenue by Principal Product Category

The following table sets out our revenue by product category for the Track Record Period:

	Year ended 31 March	
	2013	2014
	HK$'000	HK$'000
Sales of lighting appliance products	63,139	71,276
Sales of designer label furniture and accessories	5,640	7,882
Total	68,779	79,158

The sales of lighting products accounted for the majority proportion of our aggregate sales revenue throughout the Track Record Period.

Revenue and Gross Profit Margin by Principal Retail Zone

The table below sets forth the breakdown of our sales revenue and gross profit margin for each of our principal retail zones of (i) Morrison Hill Road, Wanchai, Hong Kong Island; (ii) Lockhart Road, Wanchai, Hong Kong Island; (iii) Mongkok, Kowloon; and (iv) Shatin, New Territories during the Track Record Period:

	Year ended 31 March					
	2013			2014		
	HK$'000	%	Gross profit margin	HK$'000	%	Gross profit margin
Morrison Hill Road, Wanchai Hong Kong Island	53,989	78.5%	58.3%	49,669	62.7%	60.5%
Lockhart Road, Wanchai, Hong Kong Island	3,023	4.4%	58.5%	6,744	8.5%	56.6%
Mongkok, Kowloon	4,471	6.5%	57.7%	7,106	9.0%	55.9%
Shatin, New Territories	7,296	10.6%	55.9%	15,639	19.8%	59.9%
Total	68,779	100.0%		79,158	100%	

Our retail zone of Morrison Hill Road continued to account for the highest share of our total revenue throughout the Track Record Period. Nevertheless, as and when our other retail zones developed over the years, notably our retail zone of Shatin, New Territories, there was a general decline in proportion of aggregate sales revenue attributed to the Morrison Hill retail zone.

The table below sets forth the breakdown of the gross profit amount and gross profit margin for each of our principal retail zones during the Track Record Period after deduction of rental expenses and staff wages directly attributable to the relevant retail zone:

	Year ended 31 March			
	2013		2014	
	HK$'000 *(Note)*	Gross profit margin after deduction %	HK$'000 *(Note)*	Gross profit margin after deduction %
Morrison Hill Road, Wanchai Hong Kong Island	16,028	29.7%	14,014	28.4%
Lockhart Road, Wanchai, Hong Kong	708	23.4%	1,150	17.1%
Mongkok, Kowloon	948	21.2%	977	13.8%
Shatin, New Territories	2,106	28.9%	5,943	38.1%
Total	19,790		22,084	

Note: This represents the profitability of each retail zone by deducting the gross profit of each retail zone by the rental expenses and staff wages directly attributable to the respective retail zone.

Notwithstanding the growth in gross profit margin (before deduction of rental expenses and staff wages) for our retail zone of Morrison Hill Road during the Track Record Period, the gross profit margin after deduction of rental expenses and staff wages for this retail zone reflected a decline from approximately 29.7% for the year ended 31 March 2013 to approximately 28.4% for the year ended 31 March 2014 mainly due to the increment to rental rate upon renewal of tenancies with existing stores situated in this retail zone. As our retail zone of Morrison Hill Road recorded a decline in sales turnover during the Track Record Period, the reduced business volume coupled with increasing rental overhead has resulted in a decline in gross profit margin after deduction of rental expenses and staff wages for this retail zone. For our other retail zones outside of Morrison Hill Road, we consider the fluctuation in gross profit margin after deduction of rental expenses and staff wages to be generally in line with the fluctuation in gross profit margin of the respective retail zone before deduction.

Amongst all retail zones, our retail zone of Mongkok reflected the most discernable reduction in profitability after deduction of rental expenses and staff wages (as compared to the gross profit margin before deduction attributable to this retail zone of approximately 57.7% and 55.9% for the years ended 31 March 2013 and 2014, respectively). This was by virtue of the characteristic consumer behavior common with this retail zone, a higher proportion of sales with this retail zone was in respect of merchandising item of lower retail sales value, as we understand a relatively higher proportion of customers with this retail zone come from demographic segments of lower income group as compared to certain of our other retail zones. As such, we generally derive a lower profit per dollar of rental cost incurred for this retail zone.

Our retail zone of Shatin reflected reduction in profitability after deduction of rental expenses and staff wages (as compared to the gross profit margin before deduction attributable to this retail zone of approximately 55.9% and 59.9% for the years ended 31 March 2013 and 2014, respectively) to the least extent because all retail outlets with this retail zone were situated in a shopping mall and because of the premium location which generally commands higher customer purchasing power per capita, we have furnished the retail outlets with this retail zone with a higher proportion of LED and lighting appliance products which command a higher selling price and gross profit margin, thereby enabling us to derive a higher profit per dollar of rental cost incurred.

For the year ended 31 March 2013, one retail outlet each in our retail zone of Morrison Hill Road and Lockhart Road was loss making after deduction of rental expenses and staff wages. For the year ended 31 March 2014, one retail outlet in our retail zone of Lockhart Road and two retail outlets in our retail zone of Morrison Hill Road were loss making after deduction of rental expenses and staff wages. Please refer to the paragraph headed "Financial Information — Discussion and analysis of principal components of results of operations — Gross profit and gross profit margin by principal geographical retail zone" of this prospectus for further information regarding these loss making retail outlets during the Track Record Period.

Comparable sales for principal geographical retail zones

Our profitability is affected in part by our ability to successfully grow revenue from our existing retail outlets. As such, comparable retail outlets sales provide a meaningful period-to-period comparison of retail outlets performance because they exclude increases that are due to the opening of new retail outlets. We define our comparable retail outlets base to be those retail outlets that were opened throughout the periods under comparison. The effect of the opening of new shops has been excluded in making a comparison. The table below sets forth the breakdown of comparable retail sales for each of our principal geographical retail zones.

	No. of comparable retail outlets	Year ended 31 March 2013	2014
		HK$'000	HK$'000
Morrison Hill Road, Wanchai, Hong Kong Island	7	49,628	43,199
Lockhart Road, Wanchai, Hong Kong	1	2,527	1,888
Mongkok, Kowloon	1	4,471	5,017
Shatin, New Territories	1	4,188	6,013
Total		60,814	56,117

Our retail zones of Morrison Hill Road and Lockhart Road, which together accounted for not less than 80% of our aggregate comparable retail sales for all retail zones, recorded a drop in comparable retail sales during the Track Record Period mainly because of reduced sales volume. We consider the general decline in sales volume was mainly attributable to the more difficult business environment with household lighting and furniture products in Hong Kong due to the low transaction volume within the property market, which contributed to the lower sales volume for our retail chain business. In addition, in response to the changing market environment, in recent years we have adjusted our retail market strategy to enhance our focus on high quality, premium priced European branded products and LED products. By virtue of the generally higher pricing for these products, they are less affordable to the common public and as such there was an overall decline in our volume of sales.

Key Operational and Financial Ratios

Set out below is a summary of our key operational and financial ratios for the Track Record Period:

	Year ended 31 March 2013	2014
Average number of retail outlet	12.1	14.6
Average annual sales revenue per retail outlet	5,684	5,422
Gross profit margin	58.0%	59.6%
Net profit margin	13.2%	7.4%
Return on total assets	37.9%	18.0%
Return on equity	84.5%	32.2%

	As at 31 March	
	2013	2014
Current ratio	2.1	2.2
Gearing ratio	Nil	Nil

Impact of Listing expenses on our financial performance

As set out on page 204 in the sub-section headed "Reasons for the Placing and Use of Proceeds — Use of proceeds" of this prospectus, the estimated expenses to be incurred in connection with the Listing is approximately HK$15.8 million based on the Placing Price of HK$0.55 per Share, assuming the Offer Size Adjustment Option is not exercised. The Listing expenses represent the fees and costs incurred for issue of new Shares and getting the Shares listed on GEM. In accordance with the relevant accounting standards, only incremental costs that are directly attributable to issuing of new Shares are accounted for as a deduction from equity. Costs that are directly attributable only to the Listing itself are recorded in profit or loss as incurred. Certain costs are incurred for both issuing new Shares and the Listing, are allocated on the proportion of the number of new Shares issued under the Placing to the total number of Shares in issue upon completion of the Listing. Since the number of new shares to be issued under the Placing represents 25% of the total number of shares in issue upon completion of the Listing, Listing expenses that are not clearly separable are allocated to equity and statement of comprehensive income on a 25/75 proportion. As a result, approximately HK$5.5 million which was regarded as incremental costs directly attributable to the proposed issue of new Shares under the Listing will be deducted from equity upon completion of the Listing; and approximately HK$10.3 million which was regarded as costs associated with the Listing is to be charged to our Group's combined statements of comprehensive income. The Listing expenses are allocated by our Group with reference to the total number of new Shares to be issued under the Placing and the total number of Shares upon Listing, which is in accordance with relevant accounting standards.

No Listing expenses were incurred and recorded for the year ended 31 March 2013 as we only started to incur the expenses for the relevant services in mid-2013. Approximately HK$2.8 million of the Listing expenses was charged to our Group's combined statements of comprehensive income for the year ended 31 March 2014, and as to HK$7.5 million for the year ending 31 March 2015. Accordingly, our net profit for the year ending 31 March 2015 could be significantly lower than that for the years ended 31 March 2013 and 2014. In this regard, we may issue a profit warning announcement after the Listing as and when appropriate.

Recent development and financial performance

Subsequent to the Track Record Period, we recorded a mild decline in sales revenue for the second quarter of 2014, as compared with the first quarter of 2014, mainly due to the prevailing more difficult business environment with household furnishing products in Hong

Kong due to the low transaction volume with the property market resulted from a series of cooling measures introduced by the Hong Kong Government to curb over-heated property prices.

There are nevertheless signs of these negative implications becoming stabilised without further deterioration. Based on the latest statistics of residential properties published by the Land Registry, the transaction number of residential properties in Hong Kong for the second quarter of 2014 amounted to approximately 16 thousands units, which is approximately 48.4% higher than the corresponding transaction number of residential properties for the first quarter of 2014. The rebound in the number of residential property transactions in the second quarter of 2014 was supported by the increase in first-hand residential property supply and the loosened conditions for the double stamp duty on property transactions promulgated by the Hong Kong Government. In addition, the aggregate transaction number of residential properties in Hong Kong for July and August 2014 amounted to approximately 14.0 thousands units, which is approximately 89.4% higher than that for July and August 2013. Correspondingly, there was a rebound in our sales revenue in July and August 2014, with the net result being that the average monthly turnover for the five months from 1 April 2014 to 31 August 2014 was restored to a level comparable to the average monthly turnover for the year ended 31 March 2014, and slightly exceeding the average monthly turnover attributable to the same corresponding period for the year 2013. In addition, the launching of a series of promotional activities in a shopping mall in Shatin, New Territories, whereby three of our retail outlets are located, also contributed to the rebound of sales revenue.

In light of the above, there were no material adverse changes in our Group's financial performance subsequent to the Track Record Period.

Our net results of operations for the year ending 31 March 2015 is expected to be adversely affected by the incurrence of non-recurring Listing expenses, as explained in the preceding paragraph headed "Summary — Key operational and financial ratios — Impact of Listing expenses on our financial performance" in this section.

There are no other significant non-recurrent items in the combined statement of comprehensive income for the five months ended 31 August 2014, other than the charging of partial of the Listing expenses in the amount of approximately HK$0.5 million as an expense.

FUTURE PLANS AND PROSPECTS

Our business objective is to consolidate our positioning as a distinguishing brand manager in Hong Kong with quality lighting and designer label furniture and accessory products and to become the customer choice in Hong Kong for these products, at the same time to capture increasing market share through the establishment of more retail outlets. We aim to achieve our business objective by adopting the business strategies as set out below:

1. further expansion of our retail floor area, principally through the establishment of new retail outlets in Hong Kong, to further bolster our sales capacity and capture increasing market share;

2. strengthen the marketing and promotion of our own branding of trademarks;

3. explore and solicit new incoming international brands and designer labels of potential;

4. position ourselves to capture the flourishing LED market; and

5. enhance our logistic management, including the procurement of additional warehousing facilities in Hong Kong.

We anticipate the implementation of our future plans could be sufficiently funded by the net proceeds from the Placing as well as internal resources of cash flow to be generated from our operation.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The reason for the Placing is to enhance our capital base and provide us with additional funding to implement our future plans and business strategies set forth above. In addition, we expect the Listing will bring the following additional benefits to our Group and our Shareholders:

1. access to the capital market for future growth;

2. assist our Group in positioning itself as the point of choice for quality, innovative, design branded lighting and designer label furniture in Hong Kong; and

3. enhance the transparency of our Group's operation.

We consider that net proceeds from the Placing are crucial for financing our future plans and business strategies. We estimate that the net proceeds from the Placing (after deducting underwriting fees and estimated expenses payable by ourselves in connection with the Placing of approximately HK$15.8 million) will be approximately HK$39.2 million based on a Placing Price of HK$0.55 per Placing Share (being the mid-point of the Placing Price range between HK$0.5 and HK$0.6 per Placing Share), assuming the Offer Size Adjustment Option is not exercised. It is at present intended that the net proceeds will be applied for the period from the Latest Practicable Date to 31 March 2017 is as follows:

	From the Latest Practicable Date to 31 March 2015	For the six months ending 30 September 2015	For the six months ending 31 March 2016	For the six months ending 30 September 2016	For the six months ending 31 March 2017	Total
	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Expansion of LED specialty store retail floor area	2.8	2.8	2.8	2.8	—	11.2
Expansion of lighting store retail floor area	2.8	2.8	2.8	2.8	—	11.2
Expansion of lighting & furniture combined store retail floor area	2.8	2.8	2.8	2.8	—	11.2
Marketing and promotion of our own branding of trademarks	0.5	0.5	0.5	0.5	0.5	2.5
Strengthen logistic management	0.1	2.4	0.1	0.1	—	2.7
Total	9.0	11.3	9.0	9.0	0.5	38.8

The balance of approximately HK$0.4 million will be applied as working capital and other general corporate purpose. For further details, please refer to pages 204 to 206 in the section headed "Reasons for the Placing and Use of Proceeds" of this prospectus.

PLACING STATISTICS

	Based on Placing Price of HK$0.5 per Share	Based on Placing Price of HK$0.6 per Share
Market capitalisation *(Note 1)*	HK$200 million	HK$240 million
Unaudited pro forma adjusted combined net tangible assets per Share *(Note 2)*	HK$0.15	HK$0.17

Notes:

(1) The calculation of the market capitalisation of the Shares is based on 400,000,000 Shares expected to be in issue immediately following completion of the Capitalisation Issue and the Placing.

(2) The unaudited pro forma adjusted combined net tangible assets per Share has been arrived at after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 400,000,000 Shares to be in issue immediately following completion of the Capitalisation Issue and the Placing.

DIVIDENDS AND DIVIDEND POLICY

A decision to declare and pay any dividends would require the recommendations of our Board and the approval of our Shareholders. The amount of dividends actually declared and paid will also depend upon our earnings and cash flow, financial conditions, capital requirements, investment requirements and any other conditions our Directors may deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the Companies Law.

MATERIAL ADVERSE CHANGE

Our Directors confirmed that there has been no material adverse change in our financial and trading position since 31 March 2014, being the date to which our latest audited combined financial statements were prepared, and up to the Latest Practicable Date.

Our Directors do not consider that there was any material adverse change in (i) the lighting and designer label furniture industry in Hong Kong and related market and regulatory environment; and (ii) specifically our business operations subsequent to 31 March 2014 and up to the Latest Practicable Date.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. They can be broadly categorised into risks relating to our Group, our industry, conducting business in Hong Kong and the Placing, among which, the relatively material risks encompass the risks of (i) our Group's reliance on key management; (ii) failure to renew all of our existing leases for our retail shops when they expire; (iii) failure to maintain stable and adequate supply of inventories; (iv) uncertainty in implementation of future plans; (v) dependence on the performance of the Hong Kong property market; and (vi) competition.

Details of these and other risk factors are set out in the section headed "Risk factors" of this prospectus. You should carefully consider the risk factors set out in this prospectus before you make a decision to invest in our Shares.

HISTORICAL NON-COMPLIANCE INCIDENTS

Please refer to the sub-section headed "Business — Regulatory and legal compliance" of this prospectus for details of the material non-compliance incidents of our Group and measures to prevent future recurrence of these incidents.

The Controlling Shareholders have given us an indemnity covering all such non-compliance incidents. For further details of the indemnity undertakings, please refer to the paragraph headed "Other Information — Tax and other indemnities" in Appendix IV to this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Ample Capital" or "Sponsor"	Ample Capital Limited, a corporation licensed to carry on business in types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO, and the Sponsor of the Listing
"Articles" or "Articles of Association"	the articles of association of our Company adopted on 11 September 2014 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Bookrunner"	Quam Securities Company Limited, the sole bookrunner in respect of the Placing
"business day"	a day (other than a Saturday or Sunday or Public Holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 299,999,000 Shares to be made upon capitalisation of an amount of HK$2,999,990 standing to the credit of the share premium amount of our Company as referred to under the paragraph headed "Further information about our Company — Written resolutions of our Shareholders passed on 11 September 2014" in Appendix IV to this prospectus
"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 HKSCC in relation to CCASS, containing the practices, 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 or a CCASS Custodian Participant or a CCASS Investor Participant
"Central Sky"	Central Sky Holdings Limited, a company incorporated in Hong Kong on 24 October 2003 with limited liability and an indirect wholly-owned subsidiary of our Company
"China" or "PRC"	People's Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, do not include Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modifies from time to time on and after 3 March 2014
"Company" or "Our Company"	E Lighting Group Holdings Limited (壹照明集團控股有限公司), a company incorporated in the Cayman Islands on 29 November 2013 as an exempted company with limited liability
"connected person(s)"	has the meaning ascribed to it in the GEM Listing Rules

"Controlling Shareholder(s)"	the controlling shareholder(s) (having the meaning ascribed to it in the GEM Listing Rules) of our Company, namely, Mr. Hui, our ultimate Controlling Shareholder, and the company through which he holds equity interests in our Company, namely, Time Prestige, details of their shareholdings are set out in the section headed "Relationship with our Controlling Shareholders and Non-Competition Undertaking" of this prospectus
"Co-Managers"	collectively Brilliant Norton Securities Company Limited, Convoy Investment Services Limited, Great ROC Capital Securities Limited and SBI China Capital Financial Securities Limited, the co-managers of the Placing
"core connected person(s)"	has the same meaning ascribed to it in the GEM Listing Rules
"CUG"	Central United Global Limited, a company incorporated in BVI on 18 November 2010 with limited liability and an indirect wholly-owned subsidiary of our Company
"Director(s)"	the director(s) of our Company
"E Lighting"	E Lighting Group Limited, a company incorporated in Hong Kong on 4 January 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
"ECD"	Elegant Chain Development Limited, a company incorporated in BVI on 8 August 2008 with limited liability and an indirect wholly-owned subsidiary of our Company
"Element Lighting"	Element Lighting Design Limited, a company incorporated in Hong Kong on 11 May 2005 with limited liability and an indirect wholly-owned subsidiary of our Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
"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

"Good Harvest"	Good Harvest Surplus Limited, a company incorporated in Hong Kong on 20 May 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
"Group"or "us" or "we" or "our" or "ourselves"	our Company together with our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company's subsidiaries at that time
"HK$" or "HK dollar(s)" or "HKD" and "cent(s)"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of our Company and its connected persons within the meaning of the GEM Listing Rules
"Ipsos"	Ipsos Hong Kong Limited, an Independent Third Party, being a professional market research company
"Ipsos Report"	the industry report dated 22 September 2014 prepared by Ipsos, the contents of which are quoted in this prospectus
"Joint Lead Managers"	Quam Securities Company Limited and Ample Orient Capital Limited, the joint lead managers in respect of the Placing
"Land Registry"	the land registry established pursuant to the Land Registration Ordinance (Chapter 128 of the Laws of Hong Kong)
"Latest Practicable Date"	12 September 2014, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
"Listing"	the listing of the Shares on GEM

"Listing Date"	the date on which dealings in the Shares on the GEM first commence, which is expected to be on 29 September 2014
"Listing Division"	the listing division of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on 11 September 2014 and as amended from time to time
"Mr. Chou"	Mr. Chou Hing Yan Stephen, an executive Director
"Mr. Hue"	Mr. Hue Kwok Chiu, one of our Substantial Shareholders and an executive Director, and the younger brother of Mr. Hui
"Mr. Hui"	Mr. Hui Kwok Keung Raymond, one of our Controlling Shareholders and an executive Director
"Mr. Yeung"	Mr. Yeung Nang Chong, a Shareholder holding 2.25% interest in our Company immediately after the Listing and the brother-in-law of Mr. Chou
"New Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modifies from time to time commenced on 3 March 2014
"Nomination Committee"	the nomination committee of the Board
"Offer Size Adjustment Option"	the option granted by our Company to the Bookrunner under the Underwriting Agreement to require our Company to issue up to an additional 15,000,000 Shares, representing 15% of the number of the Placing Shares initially available under the Placing at the Placing Price, details of which are set out in the section headed "Structure and Conditions of the Placing" of this prospectus
"Placing"	the conditional placing by the Underwriters on behalf of our Company of the Placing Shares for cash at the Placing Price, as further described under the section headed "Structure and Conditions of the Placing" of this prospectus

"Placing Price"	the price for each Placing Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee), which will not be more then HK$0.6 and is expected to be not less than HK$0.5, such price to be agreed and determined on the Price Determination Date
"Placing Shares"	100,000,000 new Shares being offered by our Company for subscription at the Placing Price under the Placing together, where relevant, with any additional Shares which may be issued pursuant to the Offer Size Adjustment Option; a Placing Share means one of these Shares
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modifies from time to time before 3 March 2014
"Price Determination Date"	the date expected to be on or around 24 September 2014 which the Placing Price will be determined for the purpose of the Placing
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"RS Holdings"	RS Holdings Limited, a company incorporated in Hong Kong on 23 February 2009 with limited liability and an indirect wholly-owned subsidiary of our Company
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the reorganisation of our Group in preparation for Listing described in the sub-section headed "History, Reorganisation and Corporate Structure — Reorganisation" of this prospectus
"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) of nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Share(s)

"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 11 September 2014, the principal terms of which are summarised in the sub-section headed "Share Option Scheme" in Appendix IV to this prospectus
"Sino Key Global"	Sino Key Global Limited, a company incorporated in BVI on 30 October 2013 with limited liability and wholly-owned by Mr. Yeung
"Star Adventure"	Star Adventure Holdings Limited, a company incorporated in BVI on 30 October 2013 with limited liability and wholly-owned by Mr. Hue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	substantial shareholder(s) of our Company having the meaning ascribed to it in the GEM Listing Rules
"Time Palace"	Time Palace Holdings Limited, a company incorporated in BVI on 30 October 2013 with limited liability and wholly-owned by Mr. Chou
"Time Prestige"	Time Prestige Ventures Limited, a company incorporated in BVI on 30 October 2013 with limited liability and wholly-owned by Mr. Hui
"Top Triumph Global"	Top Triumph Global Limited, a company incorporated in BVI on 20 November 2013 with limited liability and wholly-owned by our Company
"Track Record Period"	the two financial years ended 31 March 2013 and 2014
"Underwriters"	the underwriters of the Placing named in the sub-section headed "Underwriting — Underwriters" of this prospectus
"Underwriting Agreement"	the conditional underwriting agreement dated 22 September 2014 and entered into between, among others, our Company, the executive Directors, the Sponsor, the Bookrunner, the Joint Lead Managers, the Co-Managers and the Underwriters, particulars of which are set out in the section headed "Underwriting" of this prospectus
"United States"	the United States of America, including its territories and possessions

"USD" or "US dollar(s)" or "US$"	United States dollars, the lawful currency of the United States
"Ultilink"	Ultilink Holdings Limited, a company incorporated in BVI on 9 February 2006 with limited liability and owned as to 50% by Mr. Hue, 40% by Mr. Chou and 10% by Mr. Yeung
"Warrantors"	collectively our Company, our Controlling Shareholders and executive Directors
"Winsell"	Winsell International Limited, a company incorporated in BVI on 2 January 2012 with limited liability and owned as to 80% by Mr. Chou and 20% by Mr. Yeung
"228 INC"	228 Inc Limited, a company incorporated in Hong Kong on 6 November 2013 with limited liability and an indirect wholly-owned subsidiary of our Company
"%"	per cent

This glossary contains certain definitions of technical terms used in this prospectus as they relate to our business and the industries and sectors that we operate in. Some of these definitions may not correspond to standard industry definition or usage of such terms.

"CAGR"	acronym for compound annual growth rate: it represents the year-over-year growth rate of a value over a specified period of time, taking into account the effects of compounding CAGR = (Ending Value/Beginning Value)$^{(1/\text{Number of Years})}$ – 1
"CB Scheme"	an international system administered under the IECEE with multilateral agreement amongst participating countries and certification organisations for mutual acceptance of test reports and certificates dealing with the safety of electrical and electronic components, equipment and products based on the use of IEC Standards
"CB Test Certificate"	A certificate issued by a certifying agency under the CB Scheme to attest that the subject product samples being tested have successfully passed the appropriate tests
"CCC"	China Compulsory Certification, a compulsory safety mark required for many products both domestically manufactured and imported into China, as administered by the CNCA
"CE"	a mandatory conformance for products placed in the market in the European Economic Area (EEA). The CE Marking certifies that a product has met European Union consumer safety, health or environmental requirements
"CE Marking"	a mandatory conformity marking for certain products sold within the European Economic Area (EEA) by which the manufacturer declares that the product meets the requirements of the applicable EC directives of the European Union as to safety, health and environmental protection requirements
"CGSO"	the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Chandelier"	a decorative, sometimes ornate, Light Fitting suspended from a ceiling, usually having branched supports for a number of lights
"CNCA"	The China National Certification and Accreditation Administration, a PRC Government department responsible for the general administration of the compulsory product certification system and its implementation
"Director of Electrical & Mechanical Services"	a director appointed by the Hong Kong Government from time to time to head up EMSD
"Downlight" or "Recessed Light"	a Light Fitting that is installed into a hollow opening in a ceiling, which concentrate the light in a downward direction as a broad floodlight or narrow spotlight
"EMSD"	the Electrical and Mechanical Services Department of the Hong Kong Government, whose declared mission is to enhance the safety and the quality of life of the Hong Kong community by ensuring that electrical and mechanical and energy technologies are harnessed in a safe, reliable, economical and environment-friendly manner
"EO"	the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"European Standard" or "EN Standard"	a standard of requirements and/or recommendations in relation to products, systems, processes or services ratified by one of the three European standardisation organisations officially recognised by the European Union, namely CENELEC (the European Committee for Electrotechnical Standardisation), CEN (the European Committee for Standardisation) and ETSI (the European Telecommunications Standards Institute)
"European Union Law"	a body of treaties and legislations, such as regulations and directives, which have direct or indirect effect on the laws of European Union member states
"Fluorescent Lamp"	a low pressure mercury-vapor gas-discharge lamp that produce visible light by the process of fluorescence, which is the emission of light by a substance that has absorbed light or other electromagnetic radiation

"GB Standard"	Guobiao, the Chinese national standard issued by the SAC (Standardization Administration of China) which constitute the basis for product testing which products must undergo during the CCC certification
"GDP"	gross domestic product
"HKFRS"	Hong Kong Financial Reporting Standards promulgated by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"IEC"	The International Electrotechnical Commission, a non-profit, non-governmental international standards organisation that prepares and publishes international standards for all electrical, electronic and related technologies
"IECEE"	IEC System for Conformity Testing to Standards for Safety of Electrical Equipment based on the use of specific IEC standards for electrical equipment
"IEC Standard"	the standards developed by IEC for all electrical, electronic and related technologies for technical description of the characteristics to be fulfilled by the product, system, service or object in question
"Incandescent Light Bulb" or "Incandescent Light Source"	an electric light which produces light with a filament wire heated to a high temperature by an electric current passing through it, until it glows
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	a quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing

"LED"	light-emitting diode, a semiconductor light source which generate light by way of electroluminescence, which is an optical and electrical phenomenon in which a material emits light in response to the passage of an electric current or to a strong electric field
"Light Fitting", "Light Fixture" or "Luminaire"	an electrical device used to create artificial illumination by the use of replaceable component of an electric lamp which is designed to produce light from electricity
"Lumen"	a unit of luminous flux which is a measure of the perceived intensity of visible light emitted by a light source
"Pendant Light"	a Light Fitting that hangs from the ceiling usually suspended by a cord, chain, or metal rod
"Registered Electrical Contractor" or "Registered Electrical Worker"	a electrical contractor or worker registered with the Director of Electrical & Mechanical Services under the Electricity (Registration) Regulations made under the EO and qualified to perform electrical work
"Regulation"	the Electrical Products (Safety) Regulation made under section 59 of the EO
"sq.ft."	square feet
"sq.m."	square meter

You should carefully consider all the information set forth in this prospectus including the risks and uncertainties described below before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have broadly categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in Hong Kong; and (iv) risks relating to the Placing. Additional risks and uncertainties not presently known to us or that we presently deem immaterial may also harm our business, financial conditions and results of operations.

RISKS RELATING TO OUR BUSINESS

We rely on key management, and the loss of key management could harm our business.

We believe that the expertise and experience of our key management team is a key factor in our success. In particular, our chief executive officer and executive Director, Mr. Hui, has over 19 years of experience in the lighting products industry and is responsible for the business development, operations and devising market strategy and business expansion plans of our Group. Our executive Director, Mr. Hue, has over 15 years of experience in business management and focuses on our business development, operations and business expansion plans and human resources activities, and Mr. Chou, our executive Director is responsible for our business operations and overall strategic planning and business expansion plans and accounts activities. For more information on our management team, please see the section headed "Directors, Senior Management and Staff" of this prospectus. Our management members possess in-depth knowledge in their respective areas of expertise, have made significant contributions to our business development and are responsible for implementing our business strategies. We depend heavily on our ability to attract, retain and motivate our senior management. The loss of the services provided by the key management team, in particular Mr. Hui, without suitable and timely replacements may lead to disruptions in our operations, loss or detrimental to the ongoing success of our operations.

We may not be able to renew all of our existing leases for our retail shops when they expire, or if they are terminated, on terms acceptable to us.

We enter into leases in order to obtain retail space for our retail shops. Generally, the terms of our leases range from 24 to 36 months. We typically negotiate with the landlord commencing 3 to 6 months prior to the expiration of the leases for their renewal. We cannot assure you that we will be able to renew any of our leases on favourable or otherwise acceptable terms and conditions, in particular, those regarding rent. If existing leases cannot be renewed, we will have to find alternative premises that may not be located in areas that offer similar business environments and competitive advantage or similar pricing. In addition, failure to renew such retail spaces will provide an opportunity for competitors to move into such retail spaces previously identified and occupied by us as strategically favourable point-of-sale. Accordingly, failure to secure such retail spaces on terms that are acceptable to us may materially and adversely affect our business, financial condition and results of operations.

Our business depends on our ability to maintain stable and adequate supply of inventories to meet customers' demand for our lighting and designer label furniture products.

Maintaining an optimal level of inventories is important to our business. If we over-stock our inventories, our required working capital will increase and we may incur additional finance costs. Conversely, if we under-stock our inventories, we may be unable to meet customers' demand and consequently, our operating results may be adversely affected.

For the years ended 31 March 2013 and 2014, the cost of sales attributable to our Group's 5 largest suppliers was approximately HK$11.3 million and HK$16.3 million, respectively, which accounted for approximately 36.2% and 46.8% of our total purchases during the same years indicated, respectively. Accordingly, our business and results of operations is dependent on the continued supply from our 5 largest suppliers.

We do not enter into long-term supply contracts with any of our suppliers. Instead, we work with our suppliers, including our major suppliers, on an order-by-order basis. Competition in the lighting and designer label furniture industry is intense and we must obtain sufficient quantities and varieties of lighting and designer label furniture products at acceptable prices and in a timely manner to be able to respond to and meet customers demand effectively. In the absence of any long-term supply contracts with our major suppliers, we cannot ensure the availability and quantity of lighting and designer label furniture products, and any disruption or termination of our relationships with our major suppliers may have a material adverse effect on our business and results of operations. In the event that our major suppliers cease to supply lighting and designer label furniture products to us, and we fail to obtain alternative suppliers in a timely manner, we may have to purchase inventories at significantly higher costs to meet purchase orders, which may affect our profit margin significantly and negatively.

We may be unable to maintain rapid growth and implement our future plans.

Our future business growth primarily depends on the successful implementation of our business objectives, business strategies and future plans as set out in the section headed "Business Objectives and Strategies" of this prospectus. These business objectives are based on the existing plans and intentions of our Group, most of which are at initial stages and have not proceed to the stage of actual implementation and are therefore subject to high degree of risks and uncertainties. Furthermore, we may not be able to achieve the anticipated growth and expansion of our business due to factors which are beyond our control, such as changes in economic environment, market demands, government policies and relevant laws and regulations. As such, there is no assurance that our business objectives, business strategies and future plans will be accomplished, whether in whole or in part or be implemented within the estimated timeline. In the event that our future plans are not implemented and our business objectives are not accomplished, our business, profitability and financial positions in the future may be adversely affected.

The growth of our business depends in part on our ability to manage the expansion of our retail distribution network

We have pursued a growth strategy in recent years, expanding from 3 stores in 2003 when our founders commenced our business to 17 stores as at the Latest Practicable Date, covering an aggregate gross retail floor area of 28,513 sq.ft. We are scheduled to expand our retail floor area by 12,000 sq.ft., representing an enlargement of approximately 42.1% of our existing retail floor area, during the period from the Latest Practicable Date to 30 September 2016, principally through the opening of further retail stores in various districts in Hong Kong. As we grow, we face challenges both in finding suitable locations and human resources of suitable experience for our new directly operated retail stores, as well as managing the ongoing operations of our expanding store network.

The success of a new store depends in part on our ability to lease a prime location, manage inventory and hire and train appropriate staff. We lease all of our stores in prime retail real estate locations suitable for our merchandising profile and the nature of the products we carry. This leads to competition for suitable space and higher rentals. The following table sets forth an analysis of the rental expenses of our business premises for the Track Record Period:

	For the year ended 31 March			
	2013		2014	
	HK$'000	%	HK$'000	%
Rental expenses for:				
— Office premises and warehousing facilities	1,143	8.2%	1,404	7.6%
— Retail outlets	12,761	91.8%	17,102	92.4%
Total	13,904	100.0%	18,506	100.0%

Rental expenses increased from approximately HK$13.9 million for the year ended 31 March 2013 to approximately HK$18.5 million for the year ended 31 March 2014, representing an increase of approximately 33.1%. The increase in rental expenses was because of the opening of new retail stores with corresponding new tenancies incepted and also an increment in effective monthly rental rate upon renewal of tenancies with for certain of our existing stores during the Track Record Period. Set out below is an analysis of our rental expenses as a percentage of our sales turnover for the Track Record Period:

	For the year ended 31 March	
	2013	**2014**
Rental expenses as percentage of sales turnover	20.2%	23.4%

Our rental expenses accounted for approximately 20.2% and 23.4% of our sales turnover for the years ended 31 March 2013 and 2014, respectively. Rental expenses as percentage of sales turnover continued to escalate as we opened more retail outlets and renewed tenancies with existing retail outlets at higher rental rates during the Track Record Period.

In the past few years, the overall cost of securing prime locations in Hong Kong through leasing or acquisition arrangements has increased significantly, particularly for prime retail locations, and we expect such cost may remain at a high level in the near future. If we are unable to rent prime locations, or are required to pay commercially unreasonable rents, then we may be unable to expand our retail floor area on the timetable anticipated or the stores may not reach our profitability targets as quickly as we anticipate or at all. In addition, particularly when we enter a new district for establishing our retail store, we must find qualified store managers and sales staff to ensure that we portray an image that is consistent with our brand and provide the exceptionally high level of customer service expected by our customers. Accordingly, we spend significant amounts of time and effort for training new staff. If we are unable to adequately hire, train or retain sales staff and store managers, the new stores may perform below our expectations.

We are and may continue to be dependent on the performance of the Hong Kong property market

Our business and prospects depend on the performance of the Hong Kong property market. From 2008 to 2010, the transaction number and sales value of residential properties in Hong Kong had experienced a rapid growth. Despite the downturn in the transaction number and sales value of residential properties in Hong Kong from 2010 to 2011, there were still increasing concerns over the affordability of housing and the sustainability of the sales value of residential properties in Hong Kong. As a result, the Hong Kong government and regulatory bodies have promulgated various anti-speculation and control measures on the property market since late 2012 such as higher stamp duties and home loan restriction which aim at cooling the property sector. This contributed to a further decline in the transaction number and sales value of residential properties in Hong Kong, from about 81.3 thousand and HK$452.2 billion in 2012 to about 50.7 thousand and HK$298.9 billion in 2013, representing a significant 37.6% decline in the volume of transactions.

We cannot assure you that such measures will not have a negative impact on our business or that the demand for properties in Hong Kong will continue to grow in the future or that there will not be over-development or market downturn in the Hong Kong property sector. Our financial position and results of operations may be influenced by fluctuations of supply and demand in the property market, which may in turn be influenced by the general state of economy and other factors, including government policies. There is no assurance that the Hong Kong Government would not announce further measures which may adversely affect the performance of the property market in Hong Kong, which in turn bring significant impact on our business and results of operations. Any adverse development and the ensuing decline in the property sales or decrease in property price in Hong Kong may adversely affect our business, financial condition and results of operations.

Single brand at single retail premises

In connection with our business strategy, we have designated one of our retail outlets as a KARTELL mono-branded store and devoted the entire retail premises to the sale of KARTELL lighting and designer label furniture products. In addition, two of our retail outlets have been designated by Shun Hing Electric Works & Engineering Co., Ltd., the authorised wholesaler of PANASONIC products in Hong Kong, as a PANASONIC LED Concept Shop in Hong Kong. We do not have any long term supply contracts with KARTELL and Shun Hing Electric Works & Engineering Co., Ltd. In the event that they cease to supply us with their products or terminates their business relationship with us, our premises which are currently devoted entirely to their products would cease to have products for sale. As such, our financial performance and business could be materially affected.

We are exposed to fluctuations in foreign currency exchange rates, and our profit margin is sensitive to fluctuations in the cost of our products

We source and purchase our lighting and designer label furniture products from various suppliers and manufacturers, including directly from the international brand owners and designer labels located in overseas countries of Italy, Germany, the United Kingdom, etc., and the settlement currency for our purchases is primarily in local currencies of our suppliers whereas the settlement currency for all of our sales is in Hong Kong dollar. Accordingly, fluctuations in foreign currency exchange rates can increase or decrease our profit margin and affect the results of our operations. During the Track Record Period, our purchases of lighting and designer label furniture products were settled in Hong Kong dollar, USD, Euro and Renminbi. Details of the approximate percentage of our purchase by transaction currency for the Track Record Period are set out in the sub-section headed "Financial Information — Factors affecting our results of operations" of this prospectus. Accordingly, our profit margin on our lighting and designer label furniture products may be affected by fluctuations in foreign currency exchange rates.

Our functional currency is Hong Kong dollar, which we consider to be the currency of the primary economic environment affecting our operations. All of our purchases made in foreign currencies are translated into Hong Kong dollar at prevailing rate relevant at the time of transaction. The fluctuation in foreign currencies would affect our cost of goods sold in terms of Hong Kong dollar. In addition, monetary balances denominated in foreign currencies are translated into Hong Kong dollar at the prevailing rates as at the balance sheet date when we prepare our combined financial statements and result in corresponding exchange gains and losses. Accordingly, the profits we derived from transactions in foreign currencies would be lower should there be any appreciation in the exchange rates of the respective currencies against Hong Kong dollar.

We may be exposed to product liability and we do not maintain product liability insurance.

Any product liability claim against us and any legal proceedings, arbitration or administrative sanctions or penalties arising therefrom, irrespective of the outcome or the merits of such claims, would adversely affect our business, financial condition, results of operations as well as our corporate image and reputation. Even if we are able to defend any such claim successfully, we cannot assure you that our customers will not lose confidence in our lighting and designer label furniture products as a result of such claim, which may in turn adversely affect our future business. In addition, any product liability claim could result in significant costs and expenses which may or may not be recoverable.

There is no assurance that no product liability claims will be made against us in the future. We do not currently maintain any third party liabilities or product liabilities insurance to cover any claims arising from defective products.

We are exposed to risks of obsolete and slow-moving inventory which may adversely impact our cash flow and liquidity.

For the years ended 31 March 2013 and 2014, the total amount of our inventories were approximately HK$12.1 million and HK$17.5 million, respectively and accounted for approximately 50.9% and 53.8% of our total assets for the same years, respectively. The demand for our lighting and designer label furniture products is highly dependent on customers' preferences, which are beyond our control. For the years ended 31 March 2013 and 2014, we have not identified material inventory items requiring impairment provisioning. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Further, if we fail to source appropriate products to suit consumer preferences in the future, the volume of obsolete and slow-moving inventory may increase and we may need to either sell off such inventory at a lower price or write off such inventory, in the event of which our financial position and results of operations may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

We operate in a highly competitive industry.

We believe that the lighting and designer label furniture products market in which we operate is highly competitive. Our competitors in this market include both domestic and international competitors. Some of these competitors may have better brand recognition, greater financial, marketing, managerial, operational and other resources, better design and production capabilities and a wider sales and distribution network that may allow them to better react to changes in pricing, marketing and consumer preferences. As our competitors expand their operations, through acquisitions or otherwise, we expect competition to intensify. The lighting and designer label furniture products market has few barriers to entry, allowing competition to emerge at any time and in various locations. Increased competition may lead our competitors to substantially increase their advertising expenditures and promotional activities, engage in predatory pricing behaviour or activities designed to undermine our brand name and product quality or influence consumer confidence in our products.

In addition, if our existing or future competitors offer items that are better priced or more appealing to local customer tastes or if a competitor increases the number of retail outlets it operates in one of our key markets, our customers may be diverted. In order to remain competitive, we may be forced to make price reductions or we may suffer a loss of market share, either of which could materially and adversely affect our business, financial condition and results of operations.

We face increasing competition from online retailers.

Internet sales have developed rapidly in recent years along with the significant increase in the number of internet users. There are currently a large number of online sales platforms and online retailers in a wide range of product categories catering to consumers. Online retailers may sell the same products at discounted prices as they generally have lower fixed costs compared with physical stores. We face increasing competition from online retailers and there is no guarantee that our customers would not choose online retailers due to their pricing advantage.

Our attempts to remain competitive in the market by our marketing and promotional activities may not succeed and may increase our costs. Additionally, if our attempts to remain competitive fail and our market share shrinks, our business and financial condition may be adversely affected.

Our products and brand name may be subject to counterfeiting or imitation, which could materially and adversely affect our reputation and lead to a loss of consumer confidence and reduced sales.

Counterfeiting and imitation of branded products occur in our industry from time to time. The counterfeit products may be of inferior quality than our products. In the past, there have been counterfeit of our products in the market place. We cannot assure you that counterfeiting or imitation of our products will not occur again in the future or that if it does occur, we will be able to detect and address such incidences effectively. Any occurrence of counterfeiting or imitation could bring negative impacts on our reputation and brand names of the products we sell and lead to a loss of consumer confidence. Furthermore, counterfeiting and imitation products could result in a reduction of our market share, a decline in our sales and profitability as well as an increase in our administrative costs in respect of detection and prosecution, any of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Natural disasters, occurrence of epidemics, and other disasters could affect our business.

Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people of Hong Kong or such other jurisdictions. Our business, financial condition and results of operations may be affected if these natural disasters occur.

The outbreak of Severe Acute Respiratory Syndrome (the "**SARS**"), a deadly atypical pneumonia that became publicly recognised in February 2003, which first appeared in the Guangdong province in the PRC and spread to Hong Kong, had severely disrupted the economy in Hong Kong and all levels of businesses in Hong Kong were materially and adversely affected. Most notably, SARS caused a significant decline in the consumption expenditure, consumption of service and travel volumes. The occurrence of another outbreak of SARS or of another highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt our Group's business operations and consequently have an adverse effect on our financial condition and operating results. There can be no assurance that there will not be a serious outbreak of another contagious disease in Hong Kong in the future. If such outbreak occurs, it may have a material adverse impact on the business, financial condition or results of operations of our Group.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Devaluation of the Hong Kong dollars could affect our financial conditions and results of operations.

Since 17 October 1983, Hong Kong dollars have been pegged to the US dollars at a rate of HK$7.80 to US$1.00. There is no indication that the Hong Kong Government intends to cancel or change the pegged exchange rate arrangements. However, in the event that such arrangements shall change or the valuation of US dollars shall become volatile in the international currency markets, the valuation of Hong Kong dollars may be significantly affected or may even experience devaluation. At present, all of our revenue is generated in Hong Kong dollars whereas a substantial part of our cost of sales is incurred in a currency other than Hong Kong dollars. In case of devaluation of Hong Kong dollars by whatever reason, our financial condition and performance and liquidity positions may be adversely affected and our cost of sales incurred may drastically increase as a result.

The state of economic, political and legal environment in Hong Kong may adversely affect our business, performance and financial condition.

All of our business operations are based in Hong Kong and we anticipate that income derived from sales in Hong Kong will continue to be our principal source of income in the near future. However, as the demand for lighting and designer label furniture products in Hong Kong is generally affected by the size of and purchasing power of its population and the general state of its economy, we are exposed to changes in economic, political and social conditions in Hong Kong. Since 1 July 1997, Hong Kong has become a special administrative region of the PRC when the PRC resumed exercise of sovereignty over Hong Kong. The basic policies of the PRC regarding Hong Kong are embodied in the Basic Law of Hong Kong, which provides that Hong Kong shall have a high degree of autonomy and enjoy executive, legislative and independent judicial power, including that of final adjudication under the principle of "one country, two systems".

However, there is no assurance that the economic, political and legal developments in Hong Kong will not be adversely affected as a result of the exercise of sovereignty by the PRC over Hong Kong. If there is any material adverse change in the general economic, political and legal developments in Hong Kong, our operations and financial position may be adversely affected.

RISKS RELATING TO THE PLACING

There has been no prior public market for our Shares and an active or liquid trading market for our Shares may not develop after the Listing.

Prior to the Listing, there has been no public market for our Shares. Upon the Listing, GEM will be the only market for trading of our Shares. The Placing Price for our Shares is expected to be fixed by agreement between our Company and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) and may not be indicative of the market price of our Shares. We have applied to the Listing Division for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for our Shares following the Listing or in the future.

The market price and liquidity of our Shares following the Placing may be volatile.

The market price, liquidity and trading volume of our Shares may be highly volatile. There are no assurance as to the ability of our Shareholders to sell their Shares or the price at which the Shares can be sold. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the Placing Price under the Placing.

The price at which our Shares will trade after the Placing may fluctuate substantially as a result of many factors some of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts' estimates, if any, of our financial performance;
- announcements by us or our competitors of new products, acquisitions, strategic partnership, joint ventures or capital commitments; and
- general market conditions or other developments affecting us or our industry.

The Stock Exchange has from time to time experienced significant price and trading volume fluctuations which are not related to the operating performance of companies. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

The industry statistics and forward-looking information contained in this prospectus may not be accurate, reliable and fair.

This prospectus contains information and statistics, including but not limited to information and statistics relating to Hong Kong and the industry and markets. Statistical and other information relating to Hong Kong and our industry have been extracted partly from various publicly available official publications. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither the Underwriters nor any of their affiliates or advisers, nor we or any of our affiliates or advisers have verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled by other available sources. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment in our Company or otherwise.

This prospectus also contains certain forward-looking statements and information relating to us that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking information.

Our financial performance would be adversely affected by expenses incurred in connection with the Listing.

As set out in the section headed "Reasons for the Placing and Use of Proceeds" of this prospectus, the estimated expenses to be incurred in connection with the Listing is approximately HK$15.8 million based on the Placing Price of HK$0.55 per Share, assuming the Offer Size Adjustment Option is not exercised. Such estimated expenses, which are non-recurrent in nature, are attributable as to (i) approximately HK$5.5 million which was regarded as incremental costs directly attributable to the proposed issue of new Shares under the Listing and will be deducted from equity upon completion of the Listing; and (ii) approximately HK$10.3 million which was regarded as costs associated with the Listing to the extent they are incremental costs not attributable to the equity transaction and to be charged to our combined statements of comprehensive income. Approximately HK$2.8 million of the Listing expenses was charged to our combined statements of comprehensive income for the year ended 31 March 2014, and as to HK$7.5 million for the year ending 31 March 2015.

You should note that the financial performance of our Group for the year ending 31 March 2015 would be materially and adversely affected by the estimated expenses in relation to the Listing, and our net profit may be significantly lower than that for the years ended 31 March 2013 and 2014.

The costs of share options to be granted under the Share Option Scheme will materially and adversely affect our results of operations and any further issuance of Shares may result in a dilution of Shareholders' percentage shareholdings.

Pursuant to the Share Option Scheme, options may be granted after completion of the Placing and the Qualified Participants (as defined in the Share Option Scheme) may be granted options to subscribe for an aggregate of up to 40,000,000 Shares. Such options, if exercised in full, represent approximately 10% of our enlarged issued share capital immediately after completion of the Placing (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme).

Any issue of Shares upon exercise of the options to be granted under the Share Option Scheme in the future will result in a reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net assets per Share, as a result of the increase in the number of Shares outstanding after the issuance.

We may need to raise additional funds in the future to finance new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders may be diluted, and such securities may have preferred rights, options and pre-emptive rights senior to the Shares.

Future sales by our Controlling Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

Future sales of a substantial number of the Shares by our Controlling Shareholders, or the possibility of such sales, could adversely affect the market price of the Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings, details of which are set out in the section headed "Underwriting" of this prospectus. We are not in a position to give any assurance that our Controlling Shareholders will not dispose of any Shares they may own now or in the future.

Our Controlling Shareholders may take actions that are not in, or may conflict with, public Shareholders' best interests.

Our Controlling Shareholders control the exercise of 52.5% voting rights in the general meeting of our Company immediately after the Placing and the Capitalisation Issue. Therefore, our Controlling Shareholders will continue to be able to exercise controlling influence over our business through their ability to take actions which do not require the approval of independent Shareholders. As such, our Controlling Shareholders have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors, timing and amount of dividends, if any, and other significant corporate actions. In the case where the interest of our Controlling Shareholders conflict with other Shareholders, or if our Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interest of other Shareholders, such Shareholders could be left in a disadvantageous position by such actions caused by our Controlling Shareholders and the price of our Shares could be adversely affected.

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and plan of operations;
- its capital expenditure and funding plans;
- projects under construction and planning;
- general economic conditions;
- capital market development;
- the trends of industry and technology;
- certain statements in "Financial Information" with respect to trends in prices, volumes and operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for the retail industry of lighting and furniture products in general and the level of policy support; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed "Risk Factors" and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the control of our Company. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representation by our Company that its plan, or objective will be achieved. 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 these cautionary statements.

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 Ordinance and the GEM Listing Rules for the purpose of giving information with regard to ourselves. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and (c) all opinion expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Placing Shares are offered for subscription and purchase solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing 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 Sponsor, the Bookrunner, the Joint Lead Managers, the Co-Managers and the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Placing.

Printed copies of this prospectus are available, for information purposes only, at the offices of (i) Ample Capital Limited at Unit A, 14th Floor Chinachem Plaza, 135 Des Voeux Road Central, Hong Kong; and (ii) Quam Securities Company Limited at 18/F–19/F, China Building, 29 Queen's Road Central, Hong Kong from 5:00 p.m. to 6:00 p.m. on Monday, 22 September 2014 and during normal office hours from 9:30 a.m. to 6:00 p.m. from Tuesday, 23 September 2014 up to and including Monday, 29 September 2014.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Placing. This prospectus is published solely in connection with the Placing, which is sponsored by the Sponsor, bookrun by the Bookrunner, managed by the Joint Lead Managers and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Shares are being offered at the Placing Price, which is expected to be fixed by agreement between the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around 24 September 2014, or such later date as may be agreed between our Company and the Bookrunner (for itself and on behalf of the Joint Lead

Managers, the Co-Managers and the Underwriters). If, for any reason, the Placing Price is not agreed between the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) and our Company on the Price Determination Date or such later date as may be agreed between our Company and the Bookrunner (for itself and on behalf of the Lead Managers, the Co-Managers and the Underwriters), the Placing will not become unconditional and will lapse.

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

Each person acquiring the Placing Shares will be required to confirm that he is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

As at the Latest Practicable Date, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

The Placing 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 Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the Bookrunner, the Joint Lead Managers, the Co-Managers and the Underwriters, any of their respective directors or employees or any other persons involved in the Placing.

APPLICATION FOR LISTING ON GEM

Application has been made 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 including any Shares which may be issued pursuant to the Capitalisation Issue and any Shares which fall to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme. No part of the Share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment or transfer made in respect of any placing of the Placing Shares will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the Placing 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.

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.

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 25% of the issued share capital of our Company in the hands of the public.

PROFESSIONAL TAX ADVICE RECOMMENDED

Investors for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Bookrunner, the Joint Lead Managers, the Co-Managers and the Underwriters and their respective directors or employees or any other persons involved in the Placing accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

REGISTER OF MEMBERS

Our Company's principal register of members will be maintained by our principal share registrar, Harneys Services (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong branch share registrar, Tricor Investor Services Limited, in Hong Kong.

Unless we determine otherwise, dividends will be paid in Hong Kong dollars to our Shareholders, as recorded in our branch register, by ordinary post at our Shareholders' risk, to the registered address of each Shareholder.

STAMP DUTY

Dealings in the Shares registered on our Company's register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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 the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALING IN THE SHARES

Dealing in the Shares on GEM is expected to commence on 29 September 2014 under the GEM stock code 8222. Shares will be traded in board lot of 4,000 Shares each.

Our Company will not issue any temporary document of title.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed "Structure and Conditions of the Placing" of this prospectus.

LANGUAGE

The English language version of this prospectus has been translated into the Chinese language. If there should be any inconsistency between the English and Chinese versions, the English version shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi and/or US dollar amounts into Hong Kong dollar amounts or vice versa at specified rates. You should not construe these translations as representations that Renminbi and/or US dollar amounts could actually be converted into Hong Kong dollar amounts or vice versa at the rates indicated or at all. For the purpose of this prospectus, unless we indicate otherwise, the translation of Renminbi amounts into Hong Kong dollar amounts have been made at the rate of RMB 1.000 to HK$1.249, and the translation of US dollar amounts into Hong Kong dollar amounts have been made at the rate of US$1.000 to HK$7.760.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
HUI Kwok Keung Raymond	Flat B, 2nd Floor Swiss Tower 113 Tai Hang Road Hong Kong	Chinese
HUE Kwok Chiu	Flat A, 61st Floor Block 5, The Belcher's 89 Pokfulam Road Hong Kong	Chinese
CHOU Hing Yan Stephen	Unit 4, 29th Floor Block H, Sunshine City Ma On Shan, New Territories Hong Kong	Chinese
Independent non-executive Directors		
CHUNG Wai Man	Flat G, 13th Floor, Tower 5 Park Central, Tong Tak Street Tseung Kwan O, New Territories Hong Kong	Chinese
LEUNG Wai Chuen	Room 1509, 15th Floor Ka Ying House Ka Keung Court 3 Fu Mei Street, Kowloon Hong Kong	Chinese
YEUNG Mo Sheung Ann	Flat E, 2nd Floor Tower 4, Greenwood Terrace Chaiwan, Hong Kong	Chinese

SENIOR MANAGEMENT

Name	Residential Address	Nationality
WONG Peng Lin	2nd Floor 12 Hoi Kwong Street Quarry Bay Hong Kong	Chinese
CHANG David	Flat C, 7th Floor Block 3, Rhine Garden 38 Castle Peak Road Sham Tseng New Territories	Chinese
YUN Hon Man, *ACA, FCCA, CPA*	Room 1345 Yue Wan Estate Yue Shun House Chaiwan Hong Kong	Chinese
LAM Yi Shun	Flat E, 6th Floor Block 2, Kai Tak Garden 121 Choi Hung Road Wong Tai Sin Kowloon	Chinese

For further information, please refer to the section headed "Directors, Senior management and Staff" of this prospectus.

PARTIES INVOLVED IN THE PLACING

Sponsor	**Ample Capital Limited** Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Bookrunner	**Quam Securities Company Limited** 18/F – 19/F, China Building 29 Queen's Road Central Hong Kong
Joint Lead Managers	**Quam Securities Company Limited** 18/F – 19/F, China Building 29 Queen's Road Central Hong Kong
	Ample Orient Capital Limited Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Co-Managers	**Brilliant Norton Securities Company Limited** Room 804, 8/F Jubilee Centre 46 Gloucester Road Wanchai Hong Kong
	Convoy Investment Services Limited Room C, 24/F @CONVOY 169 Electric Road, North Point Hong Kong
	Great Roc Capital Securities Limited Suite 3712, 37/F West Tower, Shun Tak Center 168–200 Connaught Road Central Hong Kong
	SBI China Capital Financial Services Limited Unit A2, 32/F United Centre 95 Queensway Hong Kong

Legal adviser to our Company as to Hong Kong law	**Tso Au Yim & Yeung** 2/F., Beautiful Group Tower 74–77 Connaught Road Central Hong Kong
Legal adviser to our Company as to Cayman Islands law	**Harney Westwood & Riegels** 3601 Two Exchange Square 8 Connaught Place Central Hong Kong
Legal adviser to the Sponsor and the Underwriters as to Hong Kong law	**Robertsons** 57/F., The Center 99 Queen's Road Central Hong Kong
Auditors and reporting accountants	**BDO Limited** 25/F., Wing On Centre 111 Connaught Road Central Hong Kong
Compliance adviser	**Ample Capital Limited** Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong

Registered office	4th Floor Harbour Place 103 South Church Street George Town P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters and head office Principal place of business	26th Floor Tiffan Tower 199 Wanchai Road Wanchai Hong Kong
Authorised representatives	**Mr. HUI Kwok Keung Raymond** Flat B, 2nd Floor Swiss Tower 113 Tai Hang Road Hong Kong **Mr. HUE Kwok Chiu** Flat A, 61st Floor Block 5, The Belcher's 89 Pokfulam Road Hong Kong
Company secretary	**Mr. LAM Chi Yan,** *CPA* Flat 7, 32nd Floor Chun Hong House Tin Ma Court Wong Tai Sin Kowloon
Compliance officer	Mr. HUE Kwok Chiu
Members of the Audit Committee	Mr. LEUNG Wai Chuen *(Chairman)* Mr. CHUNG Wai Man Ms. YEUNG Mo Sheung Ann
Members of the Remuneration Committee	Mr. CHUNG Wai Man *(Chairman)* Mr. LEUNG Wai Chuen Ms. YEUNG Mo Sheung Ann

Members of the Nomination Committee	Ms. YEUNG Mo Sheung Ann *(Chairman)* Mr. CHUNG Wai Man Mr. LEUNG Wai Chuen
Principal share registrar and transfer office	**Harneys Services (Cayman) Limited** 4th Floor Harbour Place 103 South Church Street George Town P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	**Standard Chartered Bank (Hong Kong) Limited** Shop G1 of Ground Floor and the Whole of First Floor Commercial Podium of Standard Chartered Bank Building 4–4A Des Voeux Road Central Hong Kong
Our website	**www.elighting.asia** *(information contained in this website does not form part of this prospectus)*

The information and statistics set out in this section have been extracted from the Ipsos Report. The information extracted from the Ipsos Report reflects estimates and projections of market conditions based on samples, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Group. Our Group and our Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Group and our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Bookrunner, the Sponsor, the Underwriters or any other party involved in the Placing and no representation is given as to its accuracy.

COMMISSIONED REPORT FROM IPSOS

Our Company commissioned Ipsos, an independent market research company, to conduct an analysis of and produce the report on the lighting product and furniture product retail industry in Hong Kong. Ipsos received a total fee of HK$348,000, which the Sponsor believes such reflects the market rate.

Our Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, is independent of and not connected with our Group in any way. Ipsos has given its consent to quote from the Ipsos Report and to use information contained in the Ipsos Report in this prospectus.

Founded in Paris, France, in 1975 and publicly-listed on the Paris Stock Exchange in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos became the third largest research company in the world which employs approximately 16,000 full-time personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering methodology which includes: (i) desk research; (ii) client consultation; and (iii) primary research by interviewing key stakeholders and industry experts in Hong Kong including, but not limited to, associations and experts, lighting product retailers, lighting product distributers and importers and furniture product retailers and distributers. Intelligence gathered has been analysed, assessed and validated using Ipsos' in-house analysis models and techniques.

RELIABILITY OF INFORMATION AND FUTURE FORECAST IN THE IPSOS REPORT

We are of the view that sources of information used in this section, which are extracted from the Ipsos Report, are reliable and not misleading as Ipsos is an independent reputable professional research agency with extensive experience in their profession.

Some of the analytical conclusions extracted from the Ipsos Report cover future forecasts. The Sponsor and we consider such information to be reliable, accurate and not misleading after taking into account the following factors:

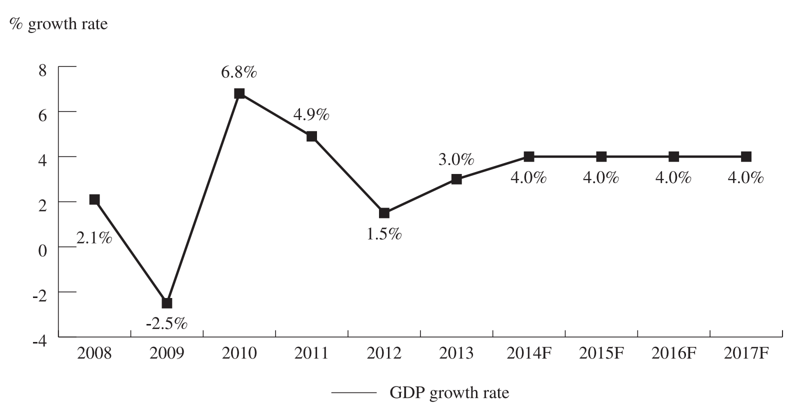
(a) Ipsos is an independent reputable research agency with extensive experience in their profession; and

(b) although the Ipsos Report includes forecast of the development of the lighting product retail industry in Hong Kong, they do not contain performance forecast of our Company.

Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

MACROECONOMIC ENVIRONMENT IN HONG KONG

The economy of Hong Kong rebounded in 2010 from the global financial crisis in 2009. Such growth was mainly due to a series of economic stimulus packages introduced by the government of United States and the robust economic growth in China which drove up merchandise exports and inbound tourism. Below graph sets out the GDP growth rate in Hong Kong from 2008 to 2017:

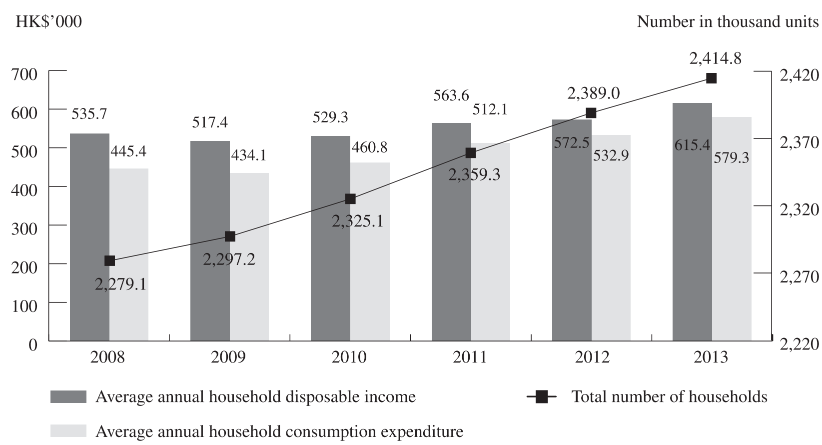


Note:

1. "F" denotes for forecasting data.

Sources: Census and Statistics Department, HKSAR, Ipsos Report

The GDP growth rate slowed down to about 4.9% in 2011 and roughly 1.5% in 2012. The flat growth in GDP was primarily due to the shadow cast by the European debt crisis which broke out in 2011, and the cool down of the economy of China in both 2011 and 2012. On the other hand, the GDP growth rate increased from approximately 1.5% in 2012 to about 3.0% in 2013 mainly due to the improved global economic outlook, including the stabilising financial conditions in Europe, the positive effect of the stimulus measures in China and improvements in global trade. The economic partnership between Hong Kong and China is anticipated to continue to support the growth of the economy of Hong Kong from 2014 to 2017 resulting in a moderate GDP growth rate of about 4.0% during this period. The annual household disposable income, the total number of households and average annual household consumption expenditure in Hong Kong from 2008 to 2013 are set out as below:



Source: Census and Statistics Department, HKSAR

As consumers had more disposable income, they would spend more on pursuing a higher quality of living environment by way of, for example, purchasing designer's lighting and furniture products. The increase in the average annual consumption expenditure indicated the growth in demand for consumer goods. The increasing number of households in Hong Kong was a factor contributing to the growth in lighting and furniture product retail markets in Hong Kong from 2008 to 2013.

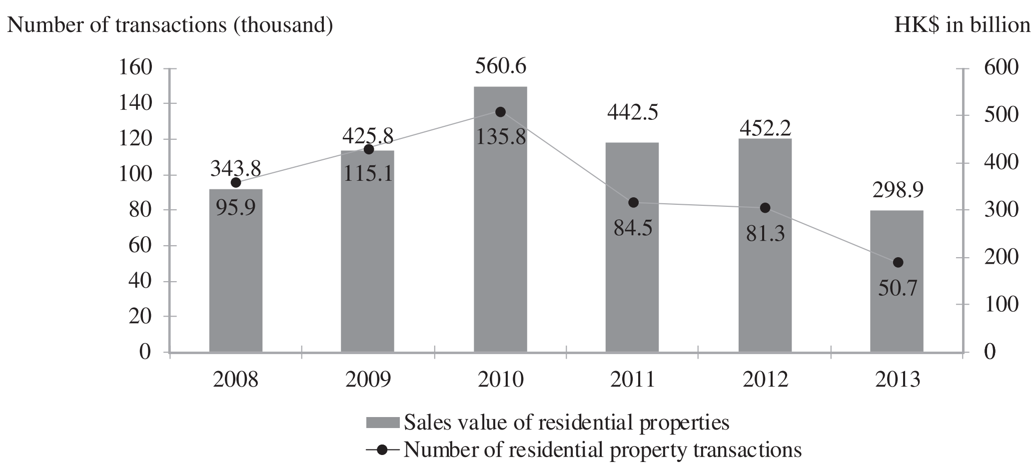
Amongst the total number of households enlisted in the table above, the number of households with a monthly income higher than HK$25,000 went up from about 836.6 thousand in 2008 to about 1,105.4 thousand in 2013. The growth in higher income household segment continues to support the growth in lighting and furniture product industry.

The completion number of private domestic housing units grew from about 8,776 units in 2008 to about 10,100 units in 2012, at a CAGR of about 3.5%, and decreased to about 8,300 units in 2013. The completion of private housing is expected to reach about 15,820 units in 2014, reaching a CAGR of 3.4% from 2010 to 2014. The actual public housing production maintained at about 13,726 units in 2008 to 13,114 units in 2013. The Housing Authority has issued a forecast of production from 2014 to 2018, aiming at producing and launching about

12,700 units in 2014 and about 20,000 units of public housing in 2018, at a CAGR of about 12.0%. Such increase is sustained by the government's effort in identifying and releasing land all over Hong Kong to build residential housing units. As new housing units in general do not come with lighting and furniture products, a stable supply of private and public domestic housing units entailed a steady growth in demand for lighting and furniture products.

According to the Hong Kong Rating and Valuation Department, the private domestic housing unit price index of Hong Kong went up from 120.5 in 2008 to 210.0 in 2013, with the base line being 100 in the year of 1999. The increase in property prices in Hong Kong would influence the spending pattern of the home buyers on other products that bring the properties into a livable condition. Such increase in property prices would support the expenditure on lighting and furniture products in Hong Kong. In addition, increasing need for improving interior environment was reflected by a growing number of interior designer firms, which grew at a CAGR of approximately 10.9% from 2008 to 2013. The number of interior design firms in Hong Kong has increased from about 1,180 in 2008 to about 1,980 in 2013. This indicated that property owners in Hong Kong have been more willing to spend on improving their quality of life by hiring interior designers to decorate their living environments. This also benefited the lighting and furniture product retail industry in Hong Kong.

Below graph sets out the total transactions of residential properties in Hong Kong from 2008 to 2013:

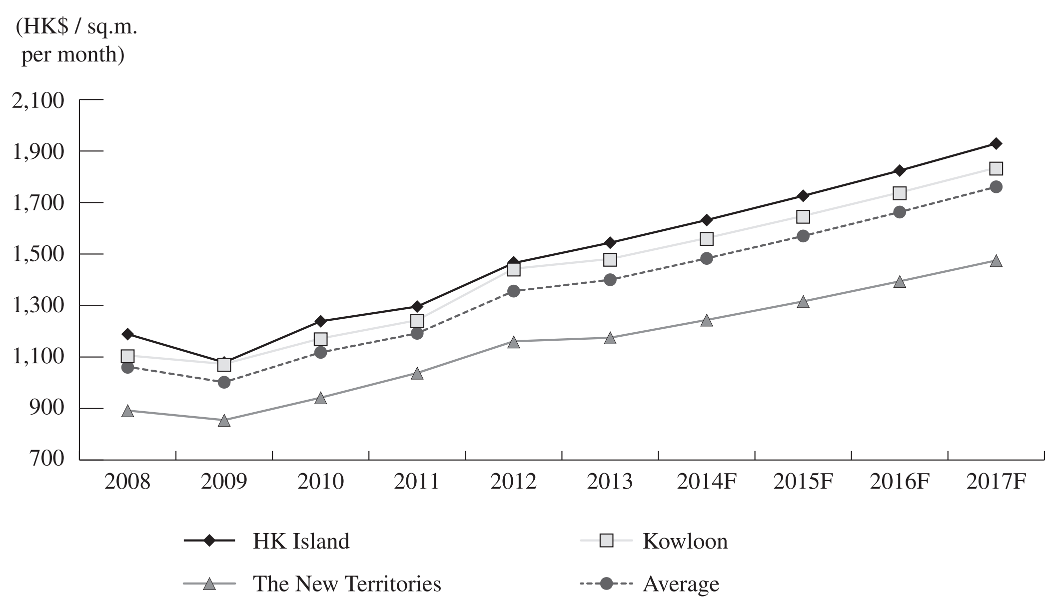


Source: Land Registry

The transaction number and sales value of residential properties in Hong Kong declined from the peak of 135.8 thousand of residential property transactions in the amount of HK$560.6 billion in 2010 to about 50.7 thousand of residential property transactions in the amount of HK$298.9 billion in 2013. The decline in both of transaction number and sales value was mainly due to the decrease in the transactions of residential properties in Hong Kong in 2012 and 2013. Such decline in transaction number was induced by property curbs imposed by the Hong Kong Government. In October 2012, Hong Kong Government has imposed buyer stamp duty and a new round of special stamp duty to increase costs of purchasing properties to curb residential property transactions and prices in Hong Kong. In February 2013, the Financial Secretary of Hong Kong announced that for any person who has owned a property, a double stamp duty will be applied when purchasing an extra one. Under this series of property curbs, the number of transactions of residential properties dropped and consequentially led to decline in sales value in 2013, decreasing by approximately 37.7% and 33.9% respectively compared to 2012.

As of latest figure in 2014, the transaction number of residential properties in Hong Kong for the second quarter of 2014 amounted to approximately 16 thousands units, which is approximately 48.4% higher than the corresponding for the first quarter of 2014. The rebound in the number of residential property transactions in the second quarter of 2014 was supported by the increase in first-hand residential property supply and the loosened conditions for the double stamp duty on property transactions promulgated by the Hong Kong Government. In addition, the aggregate transaction number of residential properties in Hong Kong for July and August 2014 amounted to approximately 14.0 thousands units, which is approximately 89.4% higher than that for July and August 2013. Correspondingly, there was also an apparent increase in the number of new mortgages for the Hong Kong property market.

Below graph sets out the rental rates in Hong Kong across three main regions — Hong Kong Island, Kowloon and the New Territories from 2008 to 2013:



Sources: Rating and Valuation Department, Hong Kong Tourism Board, Ipsos Report

The growth in rent of retail spaces in Hong Kong was due to overseas merchants seeking retailing opportunities in the PRC market who would choose Hong Kong as one of their first PRC retail openings. The advantage of opening retail outlets in Hong Kong is its retail vigor. As Hong Kong implements zero sales tax, such commercial environment attracts a lot of tourists to spend on shopping and other retail activities. The increase of same-day visitors coming from China who would shop around the area closer to the Northern border located near Shenzhen for their own conveniences also increase competition for such retail locations and drives up the rental rate. As the demand of retail space will continue to rise, both in main shopping districts and other areas, together with the limited supply of retail spaces, the average rent is expected to increase at a CAGR of about 5.9% from 2014 to 2017.

LIGHTING PRODUCT RETAIL INDUSTRY IN HONG KONG

Introduction of lighting products

Lighting products are the electrical devices that perform the vast majority of illumination applications in all possible places. Lighting products in residential households mainly support domestic activities at nights and can be used as a source of heating. They are considered as part of the design in the households and are also frequently utilised as a decoration at residential household. Commercial sector, such as offices and shopping malls, would apply lighting products for general lighting, decoration and both indoor and outdoor advertising. Moreover, the use of lighting products in public sector varies widely, including but not limited to outdoor lighting on streets, directional lights on roads and even lights for military usage. Lighting products can be classified by the way they are installed, namely light fixtures and portable lightings and by their lighting source. Different types of lighting products serve various functions as set out below:

Type of lighting products	Definition	Sub-categories and applications
Light Fixtures	Lighting fixtures are immovable lighting products that are either attached to a wall or ceiling	Light fixtures are mainly for illumination and signal, for residential, commercial and public sector purposes
Portable lightings	Portable lightings are moveable lighting products that come with a plug or can be powered by batteries	Portable lightings are usually used for mobile illumination and outdoor activities, for residential, commercial and public sector purposes
Incandescent light bulbs	Incandescent bulbs are the most common type of lighting used in residential sector. To produce about 450 Lumen of light, an incandescent bulb of 40 watts is needed	They can be used for residential and commercial purposes, especially popular within residential household for their low purchasing cost
Halogen light bulbs	Halogen light bulbs are a type of incandescent bulb with a capsule. To produce about 450 Lumen of light, a halogen light bulb of 30 watts is needed	They are commonly used for residential and commercial purposes and frequently used as decorations
Compact fluorescent light ("**CFL**") bulbs	CFL bulbs are an energy-saving alternative of incandescent light bulbs. To produce about 450 Lumen of light, a CFL bulb of 9 watts is needed	They are commonly used in residential, commercial and public sectors
LED light bulbs	LED light bulbs are one of today's most energy-efficient lighting technology. To produce about 450 Lumen of light, a LED bulb of 5 watts is needed	They are more often used as office and public lights as they are more energy-efficient

Overview of lighting product retail industry in Hong Kong

Retailers in the lighting product industry in Hong Kong are usually local businesses which have been in the industry for years. Majority of these local businesses started off as sole proprietorship on lighting products or family businesses and remain so over the years, with typically one to two shops in operation, while some of them grew to chain business. Furthermore, some of these lighting product retailers offer diversified product lines such as mass market lighting products and high-end lighting products in order to capture most of the market demand. There are also lighting product retailers that focus on selling one single brand of lighting products. Moreover, there are also a few large multi-national home improvement retail players offering lighting products mainly for households in Hong Kong market.

Recent development in Hong Kong

The overall lighting product industry in Hong Kong in the past 5 years has been focusing on increasing the availability of designer's lighting products, further defining market segment to capture overall market demand and the product development trend towards LED products.

Increased availability of designer's lighting products

There are more designer's lighting products available in Hong Kong, including both high-end designer's lighting products and middle-end designer's lighting products. Most high-end designer's lighting products are from Europe while the middle-end designer's lighting products can be from Europe and Southeast Asia and China. This trend is indicative that Hong Kong consumers have become more aware of improving their home decoration and furnishing.

Defined lighting product market segmentation

Besides the existing high-end and mass market lighting products, there is an upward trend in the market retail sales in middle-end lighting products. High-end products target customers who request for quality design, style and trend. Mass market products focus more on customers who prefer basic design with lower budgets. Middle-end lighting products capture the demand of lighting product customers who pursue better lighting designs within the price of less than HK$15,000 but more than HK$3,000. With the increasing expectation on lighting product designs with a reasonable price, the retail sales of middle-end lighting products will continue to grow.

Product development trend

Lighting product development trend is influenced by the global lighting product trend. On one hand, Hong Kong Government has been advocating for more environmentally-friendly lighting products and LED products, which is driven by the need for more energy-efficient lighting. On the other hand, as a part of global lighting product trend, there have been more imported lighting products which are designed with LED lightings.

Supply chain

Lighting product retailers source their lighting products either directly from lighting product manufacturers or lighting product importers and distributors. Some lighting product retailers directly source their stocks from lighting product manufacturers. These lighting product retailers are usually chain lighting specialty store retailers with more lighting products sold. Individual lighting product retailers who run non-chain lighting stores generally prefer contacting lighting product distributors and importers, with whom they can place orders of smaller quantities while at the same time gaining access to more choices of lighting brands and design variety.

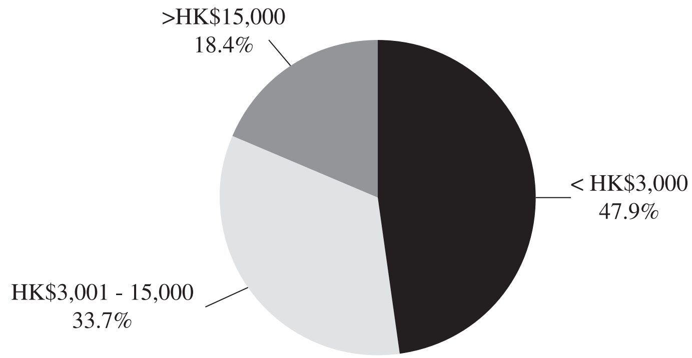
Hong Kong International Lighting Fair is held by the Hong Kong Trade Development Council twice yearly, one in April and another in October. It is an important event for lighting product manufacturers, distributors and retailers to exchange information and search for business partners. Euroluce is an international lighting exhibition in Milan, Italy. This is a bi-annual lighting fair which presents lighting products from international and Italian lighting product players in the industry. These two events are important for both Hong Kong and overseas lighting product manufacturers, distributors and retailers to exchange information and search for business partners.

Lighting product retailers in Hong Kong

Lighting product retail industry in Hong Kong can be segmented and analysed by its price range and distribution channels.

Segmentation by price range

The lighting products in Hong Kong can be divided by their price range, namely (i) high-end lighting products that cost over HK$15,000 (mostly designer's lighting products); (ii) middle-end lighting products that cost between HK$3,001 and HK$15,000 (both designer's and non-designer's lighting products); and (iii) mass market lighting products that cost less than HK$3,000. The lighting product market segments are defined in the Ipsos Report according to the aggregated results gathered from interviews with lighting retailers and lighting product brands. These market segments are classified based on retail prices of lighting products, the origins of lighting products from the perspective of lighting products, designer's brands and the reputation of lighting product brands perceived by the general public and industry players. The chart below sets out the total retail sales value of lighting products in Hong Kong in 2013 by price range:



Source: Ipsos Report

The retail sales value of between HK$3,001 and HK$15,000 accounted for the second highest portion in the total market retail sales in 2013, accounting for approximately 33.7% of the total retail sales value. According to the Ipsos Report, in recent years there were more lighting product retailers who launch lighting products belonging to this price category, such as designer's lighting products and other featured lighting products with special design.

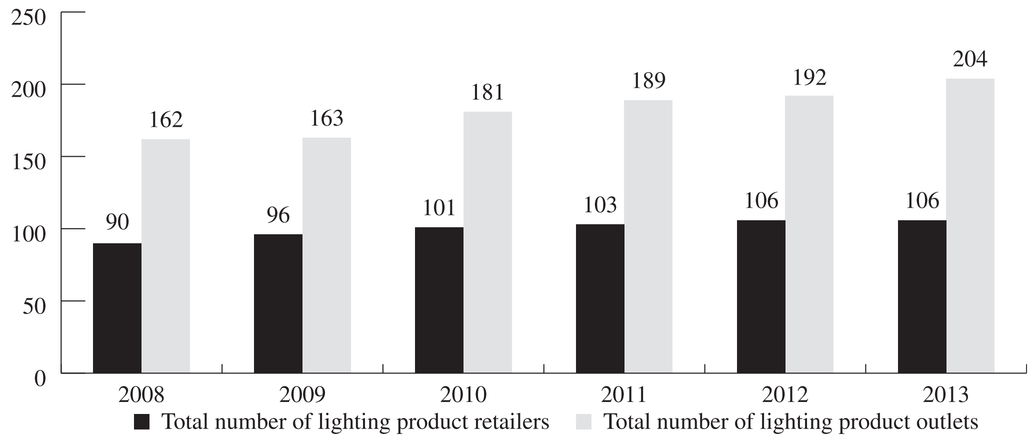
Segmentation by distribution channels

Lighting product retail industry in Hong Kong can also be categorised in terms of 3 main distribution channels, including (i) lighting specialty stores; (ii) home improvement stores; and (iii) department stores. Lighting specialty stores are stores that solely do lighting product retail sales in Hong Kong. Some lighting specialty stores are mono-brand stores that only carry one brand while the rest of the lighting specialty stores carry multiple brands of lighting products. Other distribution channels include department stores and home improvement stores. There are concessionary counters in department stores that sell lighting products. Home improvement stores have sub-sections that sell lighting products.

The lighting specialty stores, department stores and home improvement stores capture the lighting product retail market demand through differentiation in terms of product types and pricing. The characteristics of the three categories are compared as below:

Retailer type	Lighting specialty stores	Department stores	Home improvement stores
Roles and functions:	Lighting specialty stores are either players who started off as a family business or sole proprietor and have been in the lighting product retail industry for years, or some recent entrants who have worked for lighting industry big names before	Department stores usually have concessionary counters that sell lighting products, which focus more on general consumers' need for lighting products, less on focus on product variety	Home improvement stores are either internationally or locally well known retailers in furniture retail and home decoration market They provide one-stop experience for customers who focus on furniture and home decoration shopping
Product offers:	Lighting specialty stores offer various types of lighting products across various brands, including both different kinds of lighting fixtures and portable lightings for various locations and functions	Department stores tend to carry fewer brands and have less lighting product varieties, compared to lighting specialty stores	Home improvement stores provide fewer variety of lighting products compared to lighting specialty stores
Price position and price range offers:	Ranging widely from about HK$100 per unit to about HK$100,000 per unit, depending on the lighting products' brands, materials and product origins	Ranging from about HK$500 per unit to about HK$50,000 per unit, depending on the brands they carry	The average price can be from about HK$100 per unit to about HK$10,000 per unit
Customer targets:	Lighting specialty stores target customers who pursue special brandings, designs and materials in lighting products and are willing to pay more for lighting products	Department stores target consumers who prefer convenience and enjoy a one-stop shopping solution	Home improvement stores target customers who tend to shop for furniture and home decoration accessories all at once. Some focus on customers who prefer designer's brands

The graph below sets out the total number of lighting product retailers and their respective total number of lighting product outlets in Hong Kong from 2008 to 2013:



Notes:

1. Only lighting product retailers and outlets that offer both lighting fixtures and portable lighting products are included. The data excludes the retailers and outlets that only offer portable lighting products.
2. Lighting product retailers include lighting product specialty stores, department stores and home improvement stores that sell both lighting fixture and portable lighting products, while the total number of lighting product outlets refers to the number of outlets that these retailers operate.

Source: Ipsos Report

The increase in lighting outlets outpaced the increase in lighting product retailers signified the expansion by chain lighting product retailers. From 2011 to 2013, the growth in the number of lighting product outlets was mainly driven by chain lighting product retailers who target mass lighting products that cost less than HK$3,000 per unit and retailers that offer middle-end products such as our Group.

The total number of lighting product retailers is expected to grow slowly due to gradual maturity of the lighting product retail market and the increasingly challenging operating environment in the lighting product retail industry caused by rising operating cost.

Customer background, behaviour and pattern of consumption

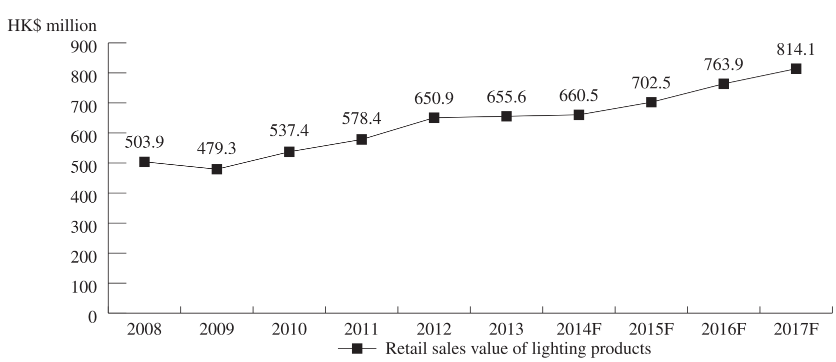
Customers for lighting product retail industry in Hong Kong can be divided into 3 groups, namely end-users in residential and commercial properties, interior designers and contractors. End-users can be sub-categorised into 3 types, namely new home buyers who purchased new properties, tenants who just started a residential rental lease and small-scaled commercial property tenants. These end-users' preference on lighting products depend on their lifestyle, age and budget. Interior designers would design or select lighting products for their clients. The lighting products that these interior designers would buy depend on their clients. Contractors of construction or home renovation projects frequently act as a middleman for their clients to buy and install lighting products.

Customers' consumption behaviour follows below patterns:

Price:	The spending patterns on lighting products vary between different customers, mostly depending on their intended usage of the subject lighting product. New home buyers may be willing to pay more for the lighting products based on their quality and design as some of them perceive lighting products as one of the important decoration in their properties. Residential tenants are more inclined to spend less on lighting products, as they have higher mobility. Office owners are mostly cost-conscious and tend to select basic lighting products that are energy-efficient. Interior designers tend to spend more on lighting products since they have to select unique styles, materials and design for their clients.
Shopping locations:	Consumers tend to visit areas that cluster with lighting product stores. For instance, customers who prefer designer's lighting products would visit Morrison Hill Road in Wanchai.
Shopping frequency:	End-users and commercial property owners tend to shop for new lighting products around every 2 to 5 years on average, as the general product life cycle of lighting products is around 2 to 5 years. Contractors and interior designers may shop more frequently for various clients.

Retail sales value of lighting products in Hong Kong

Below graph sets out the total retail sales value for lighting products in Hong Kong from 2008 to 2017:



Notes:

1. "F" denotes for forecasting data.

2. Only retail sales generated by lighting product retailers that offer both lighting fixtures and portable lighting products are included. Figures exclude revenue from sale of lighting products on a project basis, such as sale of lighting products to commercial establishment of hotel/shopping mall/property development-projects, etc.

3. The data excludes retail sales from the retailers that only offer portable lighting products.

Source: Ipsos Report

The total retail sales value for lighting products in Hong Kong grew at a CAGR of about 5.4% from 2008 to 2013. The slight dip in 2009 was mainly due to the global economic downturn induced by the financial crisis in 2008. The lighting product retail market rebounded in 2010 and continued growing steadily in 2011 and 2012 due to economic recovery.

The total retail sales value for lighting products in Hong Kong has only slightly increased in 2013 due to the decrease in residential property transactions, induced by the property curbs imposed by Hong Kong Government in October 2012 and February 2013. The percentage increase in the total retail sales value in 2013 was the lowest since 2010. It is projected that the sales growth will pick up from 2014 to 2017 due to the expected growth in housing supply. The latest 2013–2014 policy address indicated the continuous increase in land supply to about 470,000 units in the next 10 years. Such increase in land supply will positively stimulate the growth of residential property market and lead to an increase in retail sales value for lighting products in Hong Kong. In the second policy address by the Hong Kong's Chief Executive in 2014, it is further unveiled that the government has increased its 10-year target of public housing supply by 36% from the previous goal, with an aim to provide an average of about 20,000 public residential housing units and about 8,000 Government home ownership scheme units per year. Another factor is that there will be an increase in lighting product retail prices due to the increased sales of LED products and designer's lighting products in the market. The expansion in the numbers of middle-end lighting products offered by the chained lighting stores is also supporting the growth in the retail sales value. Below table sets out the segmentation of retail sales value of lighting products in Hong Kong by sales channel from 2008 to 2013:

	Lighting specialty stores		**Department stores**		**Home improvement stores**		**Total**	
Year	**Value**	**Percentage to total**	**Value**	**Percentage to total**	**Value**	**Percentage to total**	**Value**	**Percentage to total**
	(HK$ million)	**(%)**	**(HK$ million)**	**(%)**	**(HK$ million)**	**(%)**	**(HK$ million)**	**(%)**
2008	398.1	79.0%	20.0	4.0%	85.8	17.0%	503.9	100.0%
2009	392.1	81.8%	20.2	4.2%	67.0	14.0%	479.3	100.0%
2010	440.7	82.0%	21.2	3.9%	75.5	14.1%	537.4	100.0%
2011	470.3	81.3%	22.3	3.9%	85.9	14.8%	578.4	100.0%
2012	521.3	80.1%	23.4	3.6%	106.1	16.3%	650.9	100.0%
2013	525.8	80.2%	21.6	3.3%	108.2	16.5%	655.6	100.0%
CAGR 2008–2013 (%)	5.7%		1.6%		4.7%		5.4%	

Source: Ipsos Report

Among all retail channel types, the total retail sales value for lighting products via lighting specialty stores showed the greatest growth. It was attributable to the increase in total retail outlets in Hong Kong market and the growth in average selling price. Moreover, there were more lighting specialty stores opening and offering more middle-end lighting products, which was gaining popularity among lighting product customers and thus contributed to the sales growth. The increase in total retail sales value for lighting products via department stores was mainly due to the increase in the average retail prices of the lighting products sold in department stores, as the lighting products sold in the department stores are mostly high-end lighting products with an average price increase of about 5% to 10% per year. The increase in total retail sales value for lighting products via home improvement stores was mainly due to the opening of outlets by these home improvement stores. Below table sets out the segmentation of retail sales value of lighting products in Hong Kong by price range from 2008 to 2013:

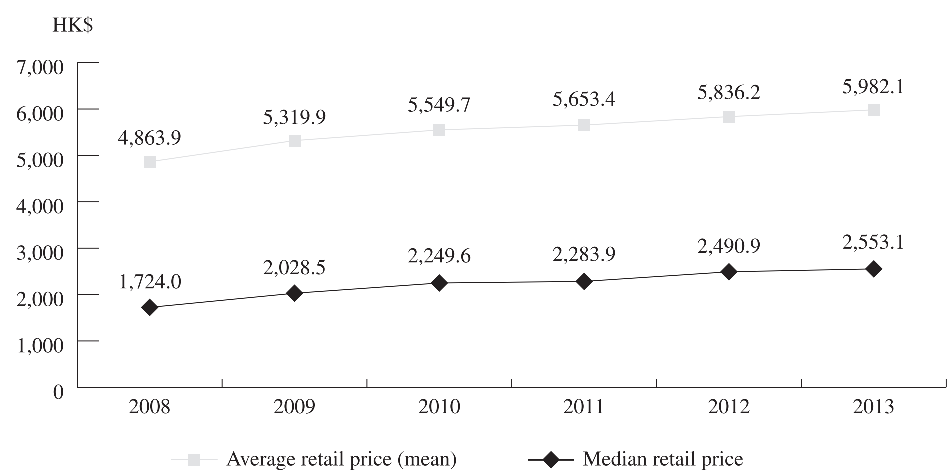
	HK$3,000 or below		HK$3,001–HK$15,000		HK$15,001 or above		Total	
Year	Value	Percentage to total	Value	Percentage to total	Value	Percentage to total	Value	Percentage to total
	(HK$ million)	(%)	(HK$ million)	(%)	(HK$ million)	(%)	(HK$ million)	(%)
2008	262.6	52.1%	138.1	27.4%	103.3	20.5%	503.9	100.0%
2009	232.5	48.5%	146.2	30.5%	100.7	21.0%	479.3	100.0%
2010	253.7	47.2%	175.2	32.6%	108.6	20.2%	537.4	100.0%
2011	282.3	48.8%	183.9	31.8%	111.6	19.3%	577.9	100.0%
2012	313.7	48.2%	218.0	33.5%	119.1	18.3%	650.9	100.0%
2013	314.0	47.9%	220.9	33.7%	120.6	18.4%	655.6	100.0%
CAGR 2008–2013 (%)	3.6%		9.9%		3.2%		5.4%	

Source: Ipsos Report

Among all the price ranges, the total retail sales value for lighting products between HK$3,001 to HK$15,000 showed the greatest growth. It was attributable to the increasing availability of the middle-end designer's lighting products and the growth in lighting specialty stores and home improvement stores, such as our Group.

Pricing of lighting products in Hong Kong

Below graph sets out the average and median retail price of lighting products in Hong Kong from 2008 to 2013:



Notes:

1. The average retail price per lighting product refers to the blended average of all kinds of lighting products sold in the retail stores in the Hong Kong market.
2. The median retail price per lighting product refers to the price that lies in the midpoint of all the lighting product prices in Ipsos' database for that particular year.

Source: Ipsos Report

The average retail price per lighting product in Hong Kong increased from about HK$4,863.9 in 2008 to about HK$5,982.1 in 2013. The median retail price per lighting product grew from about HK$1,724.0 in 2008 to about HK$2,553.1 in 2013.

Since 2010, lighting product stores in Hong Kong had supplied more middle-end lighting products of designer's brand. Lighting products in this category generally are sold at a higher price than mass market lighting products and with a steady price increase from 5–10% annually. More middle-end designer's lighting product sold lifted up the average of retail price per lighting product, as well as the median retail price. The increasing use of energy-efficient LED products which are of higher average selling prices, together with the increase in demand for designer's lighting products along with improvement in living standard in Hong Kong, are anticipated to support the increase in the average and median retail price of lighting products in the future.

Trends and development of lighting product retail industry in Hong Kong

Theme of energy-saving in the future

Energy-saving lighting products will continue to replace energy-consuming lighting products in Hong Kong driven by the increasing awareness on the importance of energy conservation. EMSD had published documents on promoting energy-saving lighting products in 2011. Examples include voluntary energy efficiency labelling scheme for LED lamps in June 2011 and consultation documents on restriction of sale of energy-inefficient incandescent light bulbs in August 2011. In June 2013, the Environment Bureau of the Hong Kong Government and EMSD announced the "no Incandescent Light Bulbs" save energy charter (環境局「不要鎢絲燈泡」節能約章), in accordance to which suppliers and retailers participating in the scheme on a voluntary basis shall commit to (i) cease replenishing inventories of Incandescent Light Bulbs; and (ii) cease the sale of specific Incandescent Light Sources beginning 31 December 2013. Lighting products such as compact fluorescent lamps and LED lighting products have emerged as the mainstream replacement choices for incandescent lighting products. Such shift to energy-saving lighting products shall be the backbone to growth in sales with the lighting product retail industry. It is estimated that sale of energy-saving lights products shall make up over half of the Hong Kong lighting market by 2020.

Specialisation in designer's and other lighting product offering

More lighting product retailers in Hong Kong are specialising in their product offering, seeking to differentiate in terms of lighting product design and use of material. For instance, there are more lighting product stores specialised in offering designer's lighting products, both high-end and middle-end. It has also been seen that some lighting product stores specialise in selling lighting products that are made of special materials or more special lighting product type such as ceiling fan lights. This strategy helps to build up an image or a brand so that the customers will return to the lighting store if they seek a lighting product of a specific design or material.

More focus on designer's lighting products

Designer's lighting products, such as lighting products with minimalistic and post-modern designs, will continue to gain popularity in the coming 5 years because of the consumers' pursuit for a higher living quality in Hong Kong.

Competitive landscape of lighting product retail industry in Hong Kong

The 5 largest lighting retailers in Hong Kong are ranked as below:

Rank	Name of company	Headquarter location	Revenue in 2013[1]	Share of total lighting product retail industry revenue	Number of retail stores in 2013[2]
			(HK$ million)	(%)	
1	Our Group	Hong Kong	79.2[3]	12.1	15
2	second ranked lighting retailer	Hong Kong	45.4	6.9	7
3	third ranked lighting retailer	Hong Kong	42.1	6.4	4
4	fourth ranked lighting retailer	Germany	25.2	3.8	4
5	fifth ranked lighting retailer	Sweden	24.6	3.8	5
Others			439.1	67.0	
Total			655.6	100.0	

Notes:

1. Revenue only includes revenue from retailing of lighting products through physical stores and excludes revenue from project sales, such as lighting product sales from hotel/shopping mall/property development projects.

2. The number of retail store of the 5 largest lighting product retailers refers to their self-operated stores, authorised retail stores are excluded.

3. Our revenue in 2013 is the revenue from 1 April 2013 to 31 March 2014, while the revenue of the other players reflects the revenue from 1 January 2013 to 31 December 2013.

Source: Ipsos Report

In 2013, there were about 106 lighting product retailers in Hong Kong. Among all these lighting product retailers, the 5 largest lighting product retailers accounted for approximately 33.0% of the total lighting product retail sales in 2013. This reflects that market of lighting product retail in Hong Kong is fragmented mainly because the barriers of entry are relatively low for mass market and middle-end lighting product retailers. The 5 largest lighting product retailers in Hong Kong stood out largely due to their longer history in lighting product retail market in Hong Kong, extensive store network and their main lighting product categories falling into high-end and middle-end lighting products. The rest of the lighting product retailers in Hong Kong mainly compete on the level of lighting product differentiation to target different customer segments.

Factors of competition

Lighting product differentiation, pricing, relationship with customers and retailer's brand awareness and reputation are the key factors of competition in the lighting product retail industry in Hong Kong.

Lighting product differentiation

With the increasing number of lighting product retailers in Hong Kong, they have to differentiate themselves by offering lighting products with unique designs, high product quality and special features. Selling unique lighting products becomes essential to lighting product retailers to outstand in the market.

Pricing

Price is the key competition factor to attract consumers in the lighting product retail industry in Hong Kong. Consumers are generally price sensitive and tend to switch between different lighting product retailers. Thus, lighting product retailers, who cover more variety of lighting products of similar pricing level as other retailers would be endowed with more competitive edge in the market.

Relationship with customers

Lighting product customers, especially contractors and interior designers, are more likely to return to the same lighting product retailers if they have previously good shopping and product experience to satisfy their clients. High customer retention rate mainly depends on a few factors, including frontline salespersons with in-depth product knowledge and after-sales services such as lighting product warranty and maintenance.

Retailer's brand awareness and reputation

A higher brand recognition or reputation of retailers can distinguish lighting product retailers from their competitors, as most of the lighting product customers in Hong Kong have limited product knowledge and tend to select the lighting product retailers whom they are aware of. A strong retailer's brand image and credibility can be built and sustained via marketing and advertising campaigns, a good track record of consistent lighting product quality and comprehensive store network.

Market growth drivers

Market growth of lighting product retail industry in Hong Kong is mainly driven by (i) the global trend to switch using environmental-friendly products such as LED lighting products which is supported by the encouragement of Hong Kong Government on using LED products and (ii) the rising popularity of designer's lighting products in Hong Kong. The encouragement of Hong Kong Government on increasing use of LED lighting products is becoming more apparent since 2011 and continues to contribute to the increase in energy-saving lighting products in Hong Kong. It is expected that the expenditure on LED lighting products will drive the growth of the lighting product retail industry.

Designer's lighting products have become more popular in Hong Kong. There are more designer's lighting products in Hong Kong due to the increasing awareness of improving home décor. Information flow for home décor and lighting products have increased compared to 10 years ago, such as more TV shows, magazines and internet websites discussing these topics.

Entry barriers

Capital capability for retail space rental costs and maintenance costs

As the retail space rental costs in Hong Kong are continuously increasing, more capital investment or higher operating costs are needed for obtaining space to run the lighting product retail business. Thus, the return of investment and profitability are decreasing as the property market trend continues.

Sourcing capability

Since most of the lighting product retailers in Hong Kong are competing on lighting product differentiation in terms of design, quality and special features, obtaining a reliable source of lighting products with the latest designs and good quality from manufacturers and distributors are key to success. Lighting product retailers should have experience and knowledge of such quality gap on lighting products and develop contacts with lighting product manufacturers and distributors with good track record on product quality and consistency.

Product differentiation capability

Due to the fragmented nature of the lighting product retail industry in Hong Kong, it is necessary for new entrants to understand the existing competition in this industry, including the product offering of the competitors, store network of the competitors and target customers of the competitors. The capacity of lighting product retailers to source differentiable or unique lighting products would have a bearing on their ability to stand out from their competitors.

Market threats

Increasing operating costs from increase in rental rates, Renminbi appreciation and competition from counterfeits may pose challenges to the development of lighting product retail industry in Hong Kong.

According to Hong Kong Rating and Valuation Department's statistics for the year of 2011 and 2013, the CAGR growth of average private retail space rent per square meter per month for Hong Kong Island, Kowloon and New Territories from 2011 to 2013 was about 9.4%, 9.2% and 6.5%, respectively. On the other hand, as some of the lighting product manufacturers are located in China, the appreciation of Renminbi could cause an increase in procurement expense and other operating costs denoted in Renminbi. Smaller-scaled lighting product retailers may have a harder time to survive under the rising operating costs, which posts threats of business closure to stop the loss.

Counterfeits are of very similar design to designer's lighting products at substantially lower price, at times could be as much as a price of more than 10 times lower. Their existence may negatively affect the sales of lighting product retailers in Hong Kong as customers may mistakenly recognise counterfeits as the authentic designer's lighting products.

FURNITURE RETAIL INDUSTRY IN HONG KONG

Introduction of furniture products

In the furniture product retail market, there are two main types of furniture products, i.e., movable furniture products and furniture fixtures. Movable furniture products can be installed and replaced easily, while furniture fixtures are attached to a spot inside a building, such as in-wall bookcases. The major furniture product users in Hong Kong are residential households, offices, hotels and restaurants.

Retail furniture products can be classified by price range into high-end, middle-end, low-end segments:

Types of furniture product	Description of definition and sub-category	Application
High-end furniture products	High-end furniture products are generally high-quality designer's items imported from the United States and European countries, such as Italy and Germany.	Luxury apartments, 5/6-star hotels, luxury commercial & retail stores and offices.
Middle-end furniture products	Middle-end furniture products are generally with attention to outlook design and of good quality. These products are generally sold under a brand name and made in China and Southeast Asia, such as Thailand and Malaysia.	Service apartments, hotels, apartments, general commercial & retail stores and offices, schools and dormitories and hospitals.
Low-end furniture products	Low-end furniture products are generally manufactured at the lowest costs and the retail prices are relatively lower amongst the 3 categories. These products are mostly manufactured in China and Southeast Asia, such as Thailand and Malaysia.	General apartments, small-scale commercial & retail stores and offices.

In the Ipsos Report, the price range underlying 4 main types of furniture products, namely, sofas, tables or desks, chairs and cupboards or bookcases, in the furniture retail market in Hong Kong are used as the criteria for defining high-end, middle-end, and low-end furniture products in general. Furniture retailers whose furniture product mix consists of approximately or over 60% by proportion of furniture belonging to the high-end price range are considered as high-end furniture retailers, and the same mechanism applies to the definitions of middle-end and low-end furniture retailers by virtue of the proportional make up of middle-end and low-end price range, respectively, in their overall product portfolio.

Main types of furniture products	Price range of		
	High-end	Middle-end	Low-end
Sofa	Above HK$25,000	HK$8,001 to HK$25,000	HK$8,000 or below
Table or Desk	Above HK$15,000	HK$5,001 to HK$15,000	HK$5,000 or below
Chair	Above HK$7,000	HK$2,001 to HK$7,000	HK$2,000 or below
Cupboard or Bookcase	Above HK$25,000	HK$8,001 to HK$25,000	HK$8,000 or below

Overview of Furniture Product Retail Industry in Hong Kong

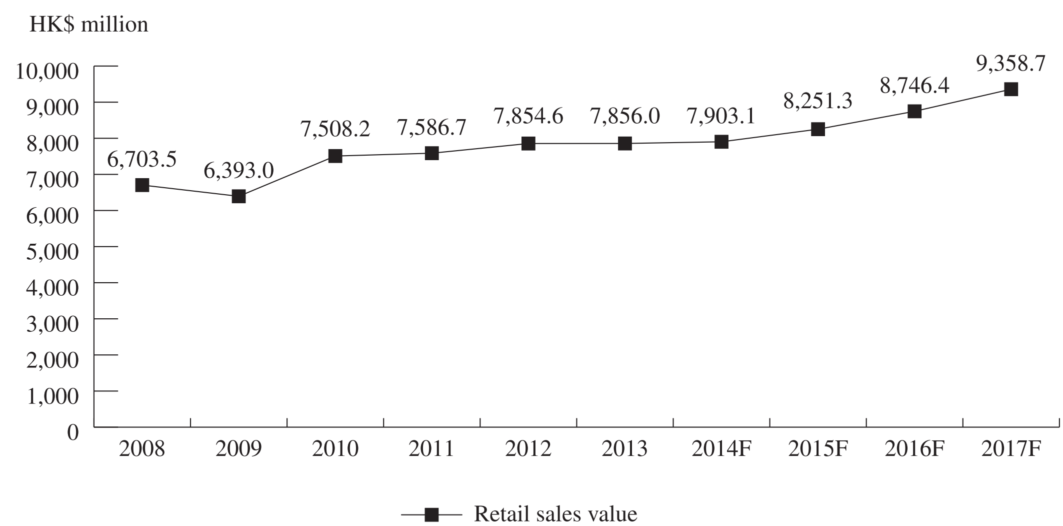
The retail furniture industry in Hong Kong is fragmented. The growth in the number of furniture retailers was from about 754 retailers in 2008 to about 771 retailers in 2013. Furniture outlets increased from about 1,104 in 2008 to about 1,160 in 2013.

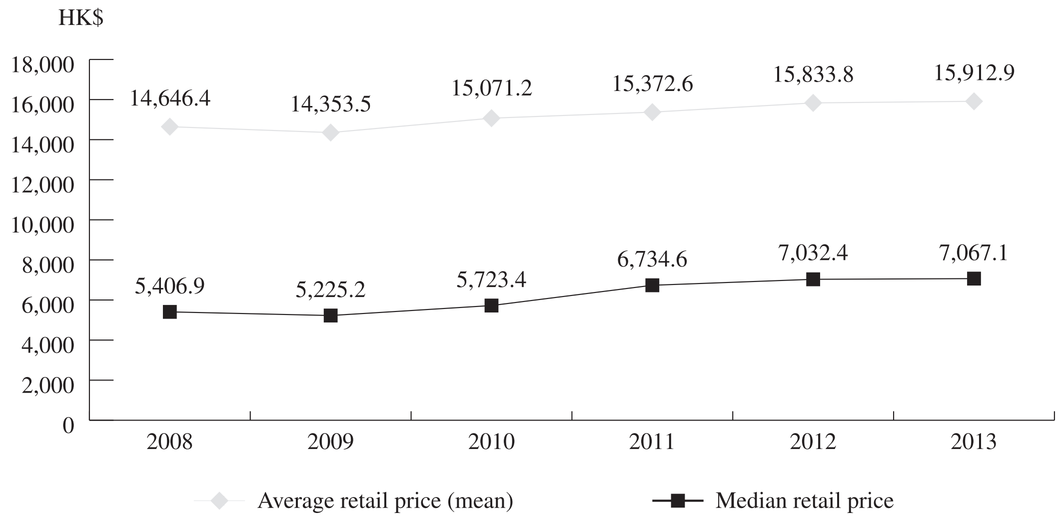
Furniture product retailers in Hong Kong tend to cluster in the nearby regions for economies of agglomeration.

As the overall furniture product retail industry became more diverse, furniture retailers cooperated with more European brands, especially brands of German and British origins, for local distribution through furniture specialty stores. Customers were becoming more conscious of design and the quality of life. As a result, designer's furniture products and products with special designs were gaining more popularity. Compact furniture products, custom-made furniture products and furniture fixtures also became more common due to limited living space.

Total retail sales and average furniture product price per piece increased from 2008 to 2013 mainly due to the increase in the demand for middle-end design furniture products as well as the generally prosperous property market.

According to the Hong Kong Rating and Valuation Department, the private domestic housing unit price index of Hong Kong nearly doubled from 2008 to 2013, with the base line in the year of 1999. Such increase in property prices prompted consumers to spend more on furniture products, and supported the growth of the furniture retailers and outlets in Hong Kong. Below graphs set out the total retail sales value for furniture products in Hong Kong from 2008 to 2017 and the average and median retail price per furniture product in Hong Kong from 2008 to 2013:





Notes:

1. The average retail price per furniture product refers to the blended average of the 4 main types of furniture products, namely sofas, tables/desks, chairs, and cupboards/bookcases, selling in the retail stores in the Hong Kong market.
2. The median retail price per furniture product refers to the price that lies in the midpoint of the above 4 types of furniture product prices in Ipsos' database for that particular year.

Source: Ipsos Report

The total retail sales value for furniture products in Hong Kong recovered quickly from the slight drop in 2009 to about HK$7,854.6 million in 2012. The increase in the operating costs for furniture retailers in Hong Kong from 2009 to 2012 led to higher selling prices of furniture products. Middle-end designer's furniture product retail sales grew between 2008 and 2012 due to the increased demand for middle-end designer's furniture product as the living standard in Hong Kong improved and customers in Hong Kong put more focus on their home décor and furniture design. The total retail sales value for furniture products in Hong Kong recorded a very slight growth in 2013 to about HK$7,856 million mainly caused by the property curbs introduced by Hong Kong Government in October 2012 and October 2013 and adversely affected the sales of residential properties in Hong Kong. The total retail sales value for furniture products in Hong Kong is projected to gradually pick up from 2014 to 2017 with the increasing housing supply and the shift to spending more on designer's furniture products.

The increase in the average and median retail price of furniture products in Hong Kong was mainly caused by the rising rent, appreciation of Renminbi against Hong Kong dollar and the wage increase in logistic workers. The increase in the demand for middle-end designer's furniture products which have higher retail prices also contributed to the growth in the average retail price per furniture product in Hong Kong.

Furniture product retailers in Hong Kong

The following table shows the types of retailers, their functions and roles, product offers, and price range offers:

Retailer type	Furniture specialty store: Individual	Furniture specialty store: Chain	Department store	Home improvement store
Role and function	Furniture specialty stores sell mainly furniture products.		Department stores source furniture products from various manufacturers and sell them in the furniture concessionary counters.	Home improvement stores sell a variety of products, including furniture products and lighting products.
Product offer	Furniture specialty stores offer chairs, tables, beds and/or sofas. Some individual furniture specialty stores offer non-branded furniture products while some offer high-end imported unique designer label furniture.	Chain furniture specialty stores offer low-end, middle-end to high-end furniture products.	Department stores offer chairs, tables and/or sofas. They generally display only a few items, with the rest in a catalog. Some department stores are retailers for designer's brands and manufacturers; some carry their own brands. Only a few have furniture departments in Hong Kong	Home improvement stores offer chairs, tables, sofas and/or cupboards. Home improvement stores are generally retailers for brands and manufacturers; some carry their own brands.
Price position and range of average price per unit	• High-end positioned: HK$7,000 to HK$60,000 • Middle-end positioned: HK$2,000 to HK$25,000 • Low-end positioned: Less than HK$8,000		• High-end and middle-end positioned: Over HK$10,000 • Low-end positioned: Less than HK$8,000	• Middle-end positioned: HK$2,000 to HK$25,000 • Low-end positioned: Less than HK$8,000

Source: Ipsos Report

Customer background, behaviour and pattern of consumption

The three main types of customers for furniture specialty stores are homeowners, landlords and interior designers.

Local homeowners, especially those who have knowledge in design, tend to purchase designer's furniture products, while local younger homeowners on a tight budget would choose low-end furniture products from home improvement stores. Some homeowners from China would make purchases of high-end imported designer's furniture products in Hong Kong as well, because they have confidence in the quality of the furniture products sold in Hong Kong. In addition, these imported products are cheaper in Hong Kong than in China, which is resulted from the low tariff in Hong Kong and the appreciation of Renminbi. Landlords would purchase middle-end to low-end furniture products with design in order to lease the property for a better price. Interior design firms are also a big group of customers for high-end to middle-end furniture products. Hotels, restaurants, offices and residential households commission interior design projects to them. Interior designers tend to choose designer's furniture products because their clients tend to be more specific about furniture styles and prefer designer's furniture products.

Customers' consumption behaviour follows below patterns:

Spending pattern:	Customers who shop at high-end furniture specialty stores have a certain requirement of design and lifestyle. They are willing to pay a higher price for design furniture. Customers who shop at middle-end furniture stores have certain requirement of lifestyle. Customers who shop at low-end furniture specialty stores are usually first time furniture buyers, such as young people or people with a tight budget.
Frequency of shopping:	Homeowners who are end-users tend to shop for furniture products at the end of the product life, which is typically once every 5 to 10 years. Low-end and middle-end furniture products will be bought typically once every less-than-5 years. Landlords buy furniture products once they have purchased a new property, which is of higher frequency. Out of 3 major types of customers, interior designers have the highest purchase frequency as they have to represent their clients to purchase on a regular basis.

Trends and development of furniture product retail industry in Hong Kong

Popularity in middle-end designer's furniture products

Middle-end furniture products will continue to gain popularity because consumers in Hong Kong put more focus on improving their home décor and furniture design as a result of pursuing higher quality of life. Designer's furniture products that reflect a simple lifestyle will continue to be in demand.

Popularity in furniture products of minimalistic theme

Minimalism will continue to be the dominant design style for furniture products in Hong Kong because the Hong Kong market follows closely the popular design trends in Europe. Furniture products of minimalistic theme are characterised by the clean and sleek lines of design. The style conveys a simple and natural idea of living.

Popularity in compact and multifunctional furniture products

Compact and multifunctional furniture products will continue to be the furniture product trend in Hong Kong due to the smaller apartment size. The average apartment size in Hong Kong is small due to the limitation in land size. As the size of Hong Kong family and the number of family members per household continue to shrink, the government addressed in the 2012 policy address to build more small apartments for young couples and individuals by 2017. The implication to the retail furniture market is that the furniture design is expected to become more compact and multifunctional to maximise the living area.

Our operations are subject to the following laws and regulations in Hong Kong.

BUSINESS OPERATIONS

In respect of our operations in Hong Kong, we are required to obtain business registration certificates issued by the Inland Revenue Department of the Hong Kong Government.

In addition, our Group provides electrical installation services to our customers for lighting products purchased from our Group. In rendering these services, our Group is also required to obtain a certificate of registration of electrical contractor issued by EMSD and the technicians employed by our Group to perform the electrical work on fixed electrical installations are required to obtain certificates of registration of electrical worker issued by EMSD.

CONSUMER PROTECTION AND PRODUCT LIABILITY

Sale of Goods Ordinance

The contracts of the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) which governs the scope of certain implied terms or conditions and warranties generally relating to the safety and suitability of the goods supplied, for instance, goods for sale must be of merchantable quality and must correspond with the description and the sample.

Consumer Goods Safety Ordinance

In addition, the CGSO imposes statutory duty on manufacturers, importers and suppliers to ensure that the consumer goods being supplied comply with the general safety requirement or the safety standards and specifications prescribed by the Secretary for Commerce and Economic Development of Hong Kong. The CGSO imposes criminal penalties for a breach of the safety requirements, and the Commissioner of Customs and Excise has the power to serve a recall notice requiring the immediate withdrawal of any consumer goods or products which are believed to be unsafe and may cause serious injury. However, electrical products are excluded from the definition of consumer goods under the CGSO.

Electricity Ordinance

Electrical products are regulated by the EO, which imposes statutory duty on suppliers to ensure that the electrical products supplied comply with the prescribed safety requirements.

The EO also provides that no person shall do business as an electrical contractor or contract to carry out electrical work unless he is a Registered Electrical Contractor with EMSD and no person shall do personally or offer or undertake to do electrical work personally unless he is a Registered Electrical Worker registered with EMSD and who is entitled by his certificate to do the work. The EO imposes criminal penalties for persons contravening the registration requirements for doing business as an electrical contractor or doing electrical work.

Electrical Products (Safety) Regulation

The Regulation made under Section 59 of the EO requires electrical products shall not be supplied unless they comply with the applicable safety requirements relating to markings, design and construction and certificates of safety compliance have been issued in respect of these products and the products. Further details of the safety regulations applicable to electrical lighting products are set out in the sub-section headed "Business — Safety requirements for electrical lighting products" of this prospectus.

The Regulation requires household electrical products shall bear proper markings or notice of rated voltage, rated frequency, rated power, model or type reference number, and manufacturer's name/trade mark. The markings or notice should be printed in English, Chinese or international standard symbols and be durable and clearly discernible from the outside of the products.

The Regulation requires household electrical products shall be so designed and constructed to ensure protection against hazards (i) arising from an electrical product; and (ii) which may be caused by external influences on an electrical product.

The majority of the lighting appliance products carried by us generally falls within the category of "Non-Prescribed products — Luminaires of fixed, general purpose" under the Regulation, for which relevant certificates of safety compliance could be one of the followings:

- certificate or test report issued by a recognised certification body registered with the Director of Electrical & Mechanical Services, such as a CB Test Certificate issued by a recognised certification body participating in the IECEE CB Scheme;
- declaration of conformity issued by a recognised manufacturer with EMSD; and
- declaration of conformity issued by a non-recognised product manufacturer and substantiated by relevant certificates and/or test reports.

For Luminaires of fixed, general purpose, the safety standard of "IEC 60598 Luminaires" is deemed to satisfy the applicable safety requirements of the Regulation, subject to additional requirements as may be prescribed by the Regulation from time to time.

There is no existing requirement for the pre-approval of the certificates of safety compliance. Suppliers and importers of electrical products in Hong Kong like us are required to produce within a reasonable time the certificates of safety compliance only upon request of inspection by EMSD.

The Regulation imposes criminal penalties for a breach of the safety requirements, and the Director of Electrical and Mechanical Services has the power to serve a recall notice requiring the supplier to make announcement and place advertisement to publicise of any hazardous defects in the electrical products supplied and to accept return of such products and to refund the purchasers of any sum paid for the products subject to a condition that a receipt for the product is surrendered to the supplier. In addition, in accordance with the EO, a person who supplies an electrical product for which no certificate of safety compliance has been issued is liable to a fine of HK$10,000.

OUR BUSINESS HISTORY AND DEVELOPMENT

Our business began with retail sales of lighting products and over the years diversified into designer label furniture and accessory products. Our history can be traced from the incorporation of Central Sky in 2003 by the founders of our Group, Mr. Hui and Mr. Chou. Our founders have over 10 years of experience in the lighting retail business. Our Group was founded with the personal funds of our founders.

To the best of our knowledge, at the time of founding of our Group back in 2003, the lighting products then offered to the market were primarily of local or China origins with few European brands. To the best of our knowledge, the lighting product market at that time in Hong Kong was characterised by the predominance of a group of wholesalers who act as middleman between the manufacturers and retailers. Direct sourcing from the manufacturers was, so far as our Directors are aware, not commonly practised in the industry, with the vast majority of the retailers being singleton stores or family business operating on low stock turnover, which were not favourable to sourcing directly from the manufacturers for logistic concerns and also difficulty in fulfilling requisite of minimum order quantities that may entail. We are aware that wholesalers served their market function by purchasing in bulk quantities from the manufacturers and in turn distributed in small quantities to the retailers a range of product models. We believe the retailers also took advantage of the credit terms granted by the wholesalers, in many instances of up to 90 days, enabling them to ease their pressure on start-up business funding.

We believe the drawback of sourcing from wholesalers as middleman was that the retailers ended up with products substantially similar to one another and unable to differentiate themselves, as most retailers in the marketplace were sourcing from the same group of wholesale parties. In addition, the procurement cost to the retailers was generally high because it inevitably encompasses a middleman margin. Our founders identified this drawback as a potential unexplored business opportunity and beginning from 2004, we trended an alternative path to the then common industry practice in bypassing wholesalers as middleman and began to source our lighting products directly from China manufacturers to take advantage of the lower procurement cost. We were also able to identify certain product items with more unique designs not commonly available in the Hong Kong marketplace for our sale in Hong Kong.

We believe that with the start-up business success and business acumen gathered from experience in direct dealings with manufacturers, our founders had the foresight that there are unexplored demands in Hong Kong with respect to quality European branded lighting products and began to evaluate the feasibility of sourcing these products directly from European manufacturers. Such foresight materialised in 2005 when we secured our first European lighting brands. To the best of our knowledge, we were amongst the first retailers in Hong Kong to bypass wholesalers as middleman and directly approach European brands in sourcing their products.

During the years 2006 and 2007, our business underwent a period of rapid growth and consolidation with the number of our retail outlets increasing to 8 shops. In the year 2007, we expanded our business portfolio into ceiling fan lighting products. In the year 2008, we started to introduce KARTELL branded products into our business portfolio, which is one of the most renowned international brands of designer label lighting and furniture, and planted the seed for our future business diversification into designer label furniture and accessory products. In the same year, we began to introduce designer label furniture to the Hong Kong market. KARTELL branded furniture has opened up more opportunities for growing our business than merely selling their KARTELL lamp products. With our gradual re-positioning as brand managers of European lighting products, this period had seen a gradual but noticeable scale down in our business scope with China manufactured lighting products.

Also in 2008, Mr. Hue, the younger brother of Mr. Hui, joined our Group when he acquired a 40% equity interest of Ultilink from Mr. Chou and 10% equity interest of Ultilink from Mr. Yeung respectively.

In the year 2009, we identified the maturity of the LED technology and the growing popularity of eco-friendly and cost-effective LED lighting source as one of the drivers for future growth in the lighting industry. At this time, our business with European brands had, to our understanding, firmly grounded itself and we began to divert more of our business focus to the emerging LED technology. In the same year, we began to source PANASONIC lighting products and foster a long term strategic relationship with Shun Hing Electric Works & Engineering Co., Ltd., the authorised wholesaler of PANASONIC products in Hong Kong, with focus on PANASONIC LED products. To this date, we have our own LED specialty store and two of our retail outlets were enlisted PANASONIC LED Concept Shop in Hong Kong.

In the year 2011, we began to source from ARTEMIDE, which is one of the top global brands with luminaries widely recognised in the international scene for its top-notch technical performance and aesthetic design concept products. We also took in the renowned designer label TOM DIXON in the same year.

In the year 2011, we opened a KARTELL mono-branded shop in HomeSquare in the New Territories which is one of the largest one-stop shopping malls for home furnishing products in Hong Kong.

In the years 2012 and 2013, we opened a flagship store on Hong Kong Island, Kowloon and in the New Territories.

Counting these flagship stores, as at the Latest Practicable Date, we had a total of 17 retail outlets spread over various strategic locations in Hong Kong.

Further details of our business history and development are set out in the sub-section headed "Business milestones" below.

BUSINESS MILESTONES

The following table summarises our major business milestones of development and achievements over the years:

Year	Major developments and achievements
2003	In October 2003, our founders, Mr. Hui and Mr. Chou first launched our Group's business in Wanchai
2004	Began to bypass middleman and source lighting products directly from PRC manufacturers
2005	Began to source lighting products directly from European manufacturers and secured our first European lighting brand
2007	Business portfolio expanded to ceiling fan lighting products
	Our network of retail outlets reached a total number of 8 stores in Hong Kong, out of which 6 stores are located in our important clustering retail zone in Morrison Hill Road, Wanchai
2008	Business portfolio expanded to furniture products
	Began to source KARTELL's products, one of the foremost suppliers in Italy of designer label furniture
2009	Began to divert more of our business focus to the emerging LED technology, as we identified the maturity of the LED technology and the growing popularity of eco-friendly and cost-effective LED lighting source as one of the drivers for future growth in the lighting industry
	Began to source PANASONIC lighting products

Year	Major developments and achievements
2011	Opening of our KARTELL mono-branded shop in HomeSquare in Shatin, New Territories, which is one of the largest one-stop shopping malls for home furnishing products in Hong Kong. Also our first retail outlet in the district of New Territories
	Began to source ARTEMIDE's products, one of the global top brands for luminaries
	Began to source TOM DIXON's products, one of the renowned designer labels from the United Kingdom
	Our network of retail outlets reached a total number of 10 stores in Hong Kong, with increasing diversification outside of our clustering retail zone in Morrison Hill Road
2012	Flagship store on the side of Hong Kong Island of around 4,942 sq.ft. opened in Wanchai
	Flagship lighting store on the side of New Territories of around 1,204 sq.ft. opened in HomeSquare in Shatin
2013	Flagship store on the side of Kowloon of around 1,335 sq.ft. opened in Mongkok
	First Panasonic LED Concept Shop opened in Wanchai, Hong Kong Island
2014	Second Panasonic LED Concept Shop opened in Shatin, New Territories
	Our network of retail outlets reached a total number of 17 stores in Hong Kong

OUR CORPORATE DEVELOPMENT

Our Company

For the purpose of Listing, our Company was incorporated on 29 November 2013 in the Cayman Islands as an exempted company with limited liability, which became the ultimate holding company of our Group as a result of the Reorganisation, details of which are set out in the following sub-section headed "Reorganisation".

Our Company was registered as a non-Hong Kong company under Part XI of the Predecessor Companies Ordinance on 10 January 2014. As at the Latest Practicable Date, our Company had an authorised share capital of HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each. For details of changes in the share capital of our Company, please refer to the paragraph headed "Further information about our Company — Changes in share capital of our Company" in Appendix IV to this prospectus.

Our Company has six indirect wholly-owned subsidiaries incorporated in Hong Kong. Their corporate histories are set out below:

Central Sky

Central Sky, an indirect wholly-owned subsidiary of our Company, was incorporated in Hong Kong as a limited liability company on 24 October 2003, with an initial authorised share capital of HK$10,000 divided into 10,000 ordinary shares with a par value of HK$1.00 each.

Central Sky is principally engaged in the business of lighting products retailing in Hong Kong. Central Sky commenced its business in October 2003 when it opened the first lighting products retail store of our Group in Morrison Hill Road, Wanchai under the store brand name of "ELEMENT LIGHTING DESIGN". Over the years, the number of stores operated by Central Sky had grown and as at the Latest Practicable Date, Central Sky was operating three retail stores, including one lighting products retail store located in Morrison Hill Road, Wanchai under the store brand name of "METROPOLIS", one LED specialty store in Lockhart Road, Wanchai and one lighting product retail store located in Shanghai Street, Mongkok under the store brand name of "ELEMENT LIGHTING DESIGN".

As at the Latest Practicable Date, Central Sky was also the lessee for our Group's leased warehouse premise in Aberdeen, Hong Kong Island.

Prior to the Reorganisation, it also owned one registered trade mark number 300275300 of ours which was assigned to CUG on 2 December 2013 pursuant to the Reorganisation.

After the Reorganisation, Central Sky became an indirect wholly-owned subsidiary of our Company and as at the Latest Practicable Date, Central Sky remained an indirect subsidiary of our Company.

Element Lighting

Element Lighting, an indirect wholly-owned subsidiary of our Company, was incorporated in Hong Kong as a limited liability company on 11 May 2005, with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each.

Element Lighting is principally engaged in the business of lighting and furniture products retailing in Hong Kong. Element Lighting commenced its business in August 2005 when it opened the first lighting products retail store of our Group in Morrison Hill Road, Wanchai under the trade name of "EUROLUX". Over the years the number of stores operated by Element Lighting had grown and as at the Latest Practicable Date, Element Lighting was operating three retail stores, including two lighting and furniture products retail store located in Morrison Hill Road, Wanchai under the store brand name of "EUROLUX" and "E LIGHTING" and one lighting product retail store located in Morrison Hill Road, Wanchai under the store brand name of "MANHATTAN LIGHTING".

After the Reorganisation, Element Lighting became an indirect wholly-owned subsidiary of our Company and, as at the Latest Practicable Date, Element Lighting remained an indirect subsidiary of our Company.

RS Holdings

RS Holdings, an indirect wholly-owned subsidiary of our Company, was incorporated in Hong Kong as a limited liability company on 23 February 2009 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares with a par value of HK$1.00 each.

RS Holdings is principally engaged in the business of lighting and furniture products retailing in Hong Kong. RS Holdings commenced its business in March 2010 when it opened the first lighting products retail store of our Group in Morrison Hill Road, Wanchai under the store brand name of "E LIGHTING". Over the years the number of stores operated by RS Holdings had grown and as at the Latest Practicable Date, RS Holdings was operating three retail stores, including one LED specialty store under the store brand name of "E LIGHTING", one lighting products retail store under the store brand name of "ELEMENT LIGHTING DESIGN" and one lighting and furniture products retail store under the store brand name of "E DESIGN".

Prior to the Reorganisation, it also owned one registered trade mark number 301660635 of ours which was assigned to CUG on 2 December 2013 pursuant to the Reorganisation.

After the Reorganisation, RS Holdings became an indirect wholly-owned subsidiary of our Company and, as at the Latest Practicable Date, RS Holdings remained an indirect subsidiary of our Company.

E Lighting

E Lighting, an indirect wholly-owned subsidiary of our Company, was incorporated in Hong Kong as a limited liability company on 4 January 2011 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares with a par value of HK$1.00 each.

E Lighting is principally engaged in the business of lighting and furniture products retailing in Hong Kong. E Lighting commenced its business in March 2011 when it opened the first lighting products retail store of our Group in Lockhart Road, Wanchai under the trade name of "E LIGHTING". Over the years the number of stores operated by E Lighting had grown and as at the Latest Practicable Date, E Lighting was operating five retail stores, including two LED specialty stores located in Morrison Hill Road and Lockhart Road, Wanchai respectively, one lighting products retail store located in Lockhart Road, Wanchai under the store brand name of "E LIGHTING", one lighting and furniture products retail store located in Wanchai Road, Wanchai under the store brand name of "E LIGHTING" and one lighting and furniture products retail store located in Shanghai Street, Mongkok under the store brand name of "E LIGHTING".

As at the Latest Practicable Date, E Lighting was the lessee for our Group's leased office premise located in Wanchai Road, Wanchai and our Group's leased warehouse premise in Aberdeen, Hong Kong Island.

Prior to the Reorganisation, it also owned the domain name used by our Group which was assigned to CUG on 11 December 2013 pursuant to the Reorganisation.

After the Reorganisation, E Lighting became an indirect wholly-owned subsidiary of our Company and, as at the Latest Practicable Date, E Lighting remained an indirect subsidiary of our Company.

Good Harvest

Good Harvest, an indirect wholly-owned subsidiary of our Company, was incorporated in Hong Kong as a limited liability company on 20 May 2011 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares with a par value of HK$1.00 each.

Good Harvest is principally engaged in the business of lighting and furniture products retailing in Hong Kong. Good Harvest commenced its business in July 2011 when it opened the first lighting and furniture products retail store of our Group in HomeSquare, Shatin under the store brand name of "KARTELL AT E COLLECTION". Over the years the number of stores operated by Good Harvest had grown and as at the Latest Practicable Date, Good Harvest was operating two retail stores, including one lighting and furniture products retail store under the store brand name of "KARTELL AT E COLLECTION" and one lighting retail store under the store brand name of "E LIGHTING".

After the Reorganisation, Good Harvest became an indirect wholly-owned subsidiary of our Company and, as at the Latest Practicable Date, Good Harvest remained an indirect subsidiary of our Company.

228 INC

228 INC, an indirect wholly-owned subsidiary of our Company, was incorporated in Hong Kong as a limited liability company on 6 November 2013 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares with a par value of HK$1.00 each.

As at the Latest Practicable Date, 228 INC was operating a LED specialty store in HomeSquare, Shatin under the store brand name of "PANASONIC LED AT 228".

As at the Latest Practicable Date, 228 INC remained an indirect wholly-owned subsidiary of our Company.

Our Company has one direct and two indirect wholly-owned subsidiaries incorporated in BVI. Their corporate histories are set out below:

CUG

CUG, an indirect wholly-owned subsidiary of our Company, was incorporated in BVI on 18 November 2010 and was authorised to issue 50,000 shares of US$1.00 each.

Prior to the Reorganisation, CUG was an investment holding company and the 100% holding company of E Lighting. After the Reorganisation, CUG became the owner of all the trade marks and the domain name of our Group.

After the Reorganisation, CUG became an indirect wholly-owned subsidiary of our Company and, as at the Latest Practicable Date, CUG remained an indirect wholly-owned subsidiary of our Company.

ECD

ECD, an indirect wholly-owned subsidiary of our Company, was incorporated in BVI on 8 August 2008 and was authorised to issue 50,000 shares.

ECD is an investment holding company and after the Reorganisation, ECD became the immediate holding company of the entire issued share capitals of all the operating subsidiaries of our Group, including Central Sky, Element Lighting, RS Holdings, E Lighting, Good Harvest and 228 INC.

After the Reorganisation, ECD became an indirect wholly-owned subsidiary of our Company and, as at the Latest Practicable Date, ECD remained an indirect wholly-owned subsidiary of our Company.

Top Triumph Global

Top Triumph Global, a direct wholly-owned subsidiary of our Company, was incorporated in BVI on 20 November 2013 which was authorised to issue 50,000 shares of US$1.00 each.

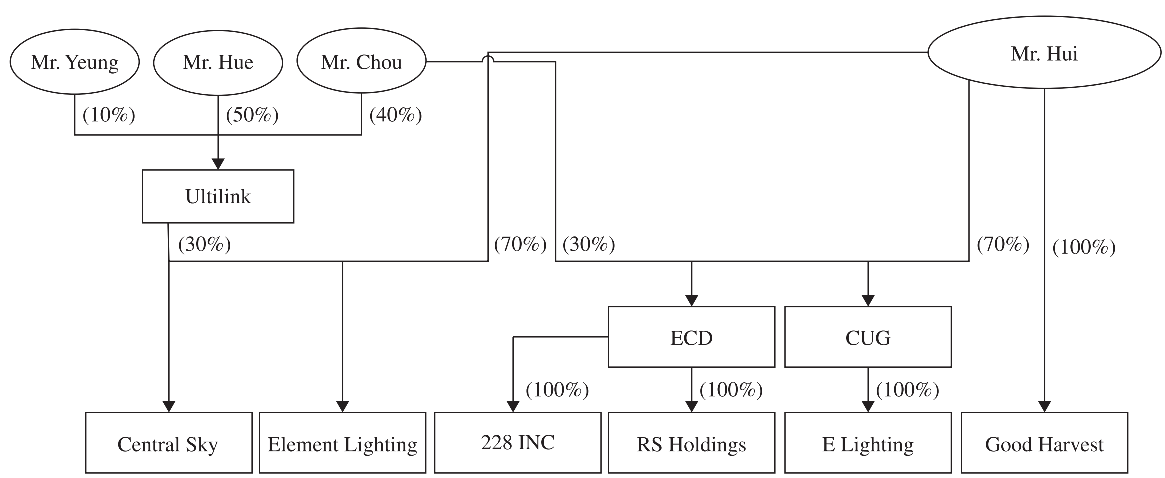
Top Triumph Global is an investment holding company. After the Reorganisation, it became a direct 100% holding company of CUG and ECD and an indirect 100% holding company of Central Sky, Element Lighting, RS Holdings, E Lighting, Good Harvest and 228 INC.

As at the Latest Practicable Date, Top Triumph Global remained a direct wholly-owned subsidiary of our Company.

For details of changes in the share capitals of our subsidiaries, please refer to the paragraph headed "Further information about our Company — Changes in share capital of subsidiaries' in Appendix IV to this prospectus.

OUR GROUP STRUCTURE IMMEDIATELY BEFORE THE REORGANISATION

The following chart sets out our shareholding and corporate structure immediately prior to the Reorganisation:



REORGANISATION

In contemplation of the Listing, members of our Group have undergone certain restructuring steps whereby a coherent corporate structure of our Group has been established which are suitable for listing on GEM, Mr. Hue, Mr. Chou and Mr. Yeung and our ultimate Controlling Shareholder, having undergone extensive negotiations with consideration to a number of factors including the contributions in terms of times, strategies and business developments they had made to our Group and the roles and contributions that they will assume and expect to be made to our Group in the future as well as the relationships of Mr.

Chou as the brother-in-law of Mr. Yeung and of Mr. Hui as the elder brother of Mr. Hue, had reached an agreement among themselves that their respective shareholdings in our Company should be 70% owned by Mr. Hui through Time Prestige, 15% owned by Mr. Hue through Star Adventure, 12% owned by Mr. Chou through Time Palace and 3% owned by Mr. Yeung through Sino Key Global immediately after completion of the Reorganisation to reflect the commercial considerations on the factors mentioned above. Save as disclosed above, none of Mr. Hui, Mr. Hue, Mr. Chou, Mr. Yeung, Time Prestige, Star Adventure, Time Palace and Sino Key Global has any shareholders' agreement relating to our Company. The Reorganisation involved the following steps:

1. On 29 November 2013, our Company was incorporated in the Cayman Islands with an authorised capital of HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each. On its incorporation, 1 Share was allotted and issued to its subscriber, Harneys Services (Cayman) Limited at par and credited as fully paid. On 29 November 2013, Harneys Services (Cayman) Limited transferred its 1 Share to Time Prestige, a company wholly-owned by Mr. Hui, for cash at par.

2. On 20 November 2013, Top Triumph Global was incorporated in BVI and on 11 December 2013, 1 share of US$1.00 was allotted and issued to our Company in cash at par.

3. On 2 December 2013, pursuant to a deed of assignment dated 2 December 2013, Central Sky assigned and transferred all its title and rights in registered trade mark number 300275300 to CUG at the nominal consideration of HK$1.00.

4. On 2 December 2013, pursuant to a deed of assignment dated 2 December 2013, RS Holdings assigned and transferred all its title and rights in registered trade mark number 301660635 to CUG at the nominal consideration of HK$1.00.

5. On 11 December 2013, pursuant to a deed of transfer dated 11 December 2013, E Lighting transferred its ownership in the domain name www.elighting.asia to CUG at the nominal consideration of HK$1.00.

6. On 8 September 2014, Mr. Hui transferred 70% issued share capital of CUG to Time Prestige and transferred 70% issued share capital of ECD to Time Prestige, both at the nominal consideration of HK$1.00.

7. On 8 September 2014, Mr. Chou transferred 30% of issued share capital of CUG to Ultilink and transferred 30% issued share capital of ECD to Ultilink, both at the nominal consideration of HK$1.00.

8. On 8 September 2014, ECD acquired 70% of the issued share capital of Central Sky from Mr. Hui and 30% of the issued share capital of Central Sky from Ultilink, at the consideration equivalent to the net asset value of Central Sky as at 31 March

2014, in satisfaction of the consideration, ECD allotted and issued 7 ordinary shares in its authorised share capital to Time Prestige at the direction of Mr. Hui and allotted and issued 3 ordinary shares in its authorised share capital to Ultilink, all credited as fully paid.

9. On 8 September 2014, ECD acquired 70% of the issued share capital of Element Lighting from Mr. Hui and 30% of the issued share capital of Element Lighting from Ultilink, at the consideration equivalent to the net asset value of Element Lighting as at 31 March 2014, in satisfaction of the consideration, ECD allotted and issued 7 ordinary shares in its authorised share capital to Time Prestige at the direction of Mr. Hui and allotted and issue 3 ordinary shares in its authorised share capital to Ultilink, all credited as fully paid.

10. On 8 September 2014, ECD acquired 100% of the issued share capital of E Lighting from CUG at the consideration equivalent to the net asset value of E Lighting as at 31 March 2014, in satisfaction of the consideration, ECD allotted and issued 7 ordinary shares in its authorised share capital to Time Prestige and 3 ordinary shares in its authorised share capital to Ultilink, all at the direction of CUG and credited as fully paid.

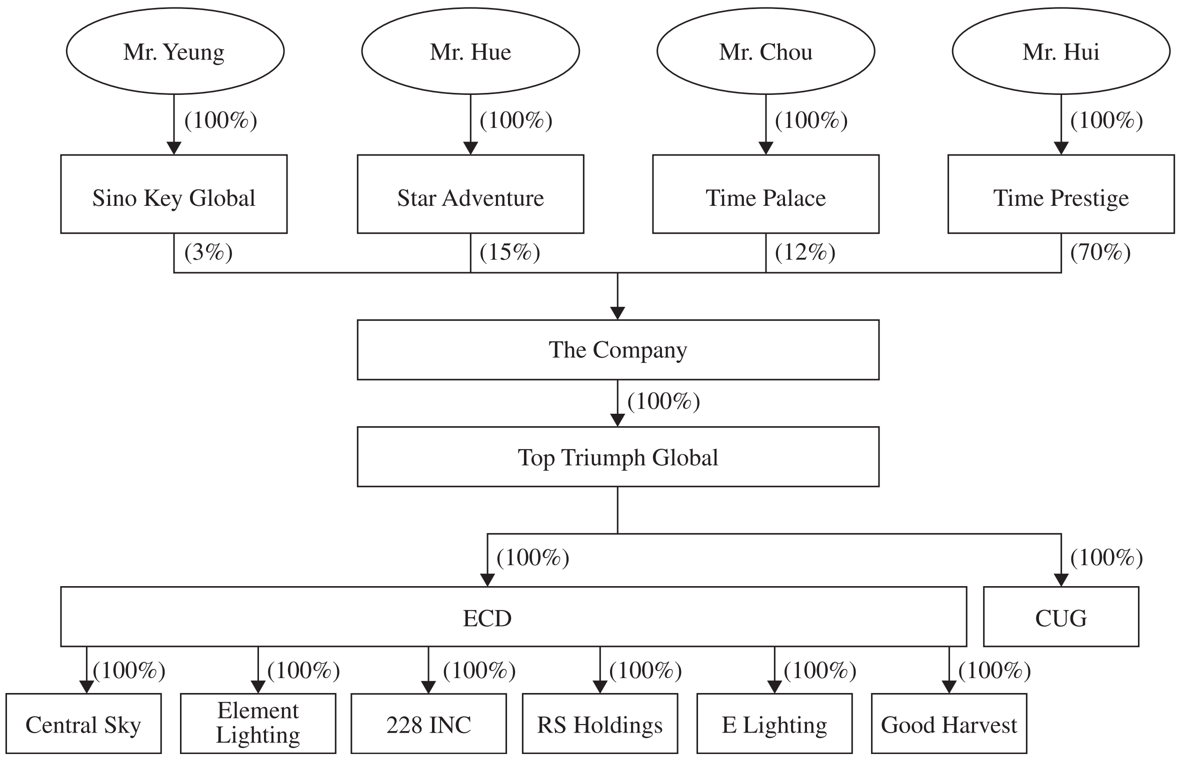
11. On 8 September 2014, ECD acquired 100% of the issued share capital of Good Harvest from Mr. Hui at the consideration equivalent to the net asset value of Good Harvest as at 31 March 2014, in satisfaction of the consideration, ECD allotted and issued 7 ordinary shares in its authorised share capital to Time Prestige and 3 ordinary shares in its authorised share capital to Ultilink, all at the direction of Mr. Hui and credited as fully paid.

12. On 8 September 2014, pursuant to a share swap agreement dated 8 September 2014, entered into between the Time Prestige and Ultilink as vendors and our Company as purchaser, Time Prestige and Ultilink transferred their respective shareholdings in CUG and ECD, representing the entire issued share capitals of CUG and ECD, to Top Triumph Global at the direction of our Company, in exchange of our Company allotting and issuing 699 Shares to Time Prestige all credited as fully paid at par; and allotting and issuing 150 Shares to Star Adventure, 120 Shares to Time Palace and 30 Shares to Sino Key Global, all at the direction of Ultilink and credited as fully paid at par.

Upon completion of the Reorganisation but before the Placing (and not taking into account of any Shares to be allotted and issued upon the exercise of options which may be granted pursuant to the Share Option Scheme), the entire issued share capital of our Company would be held as to 70% by Time Prestige, 15% by Star Adventure, 12% by Time Palace and 3% by Sino Key Global.

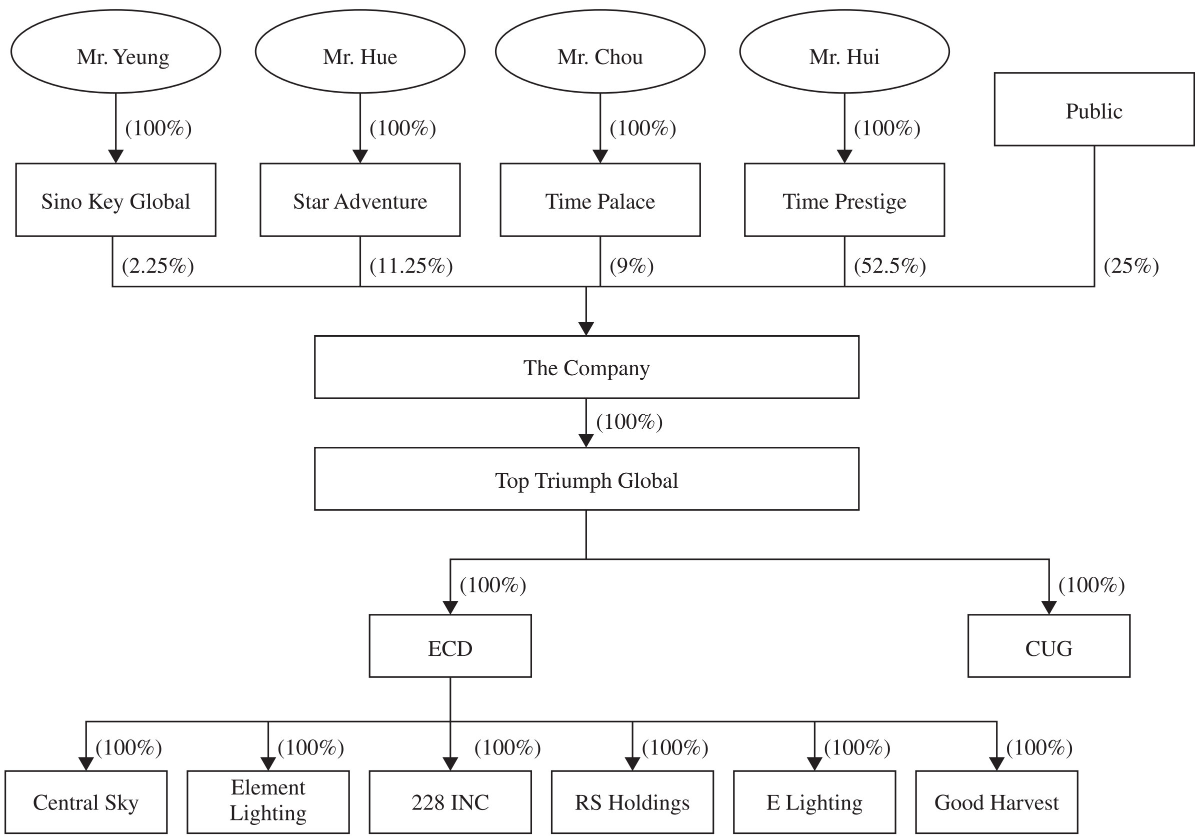
OUR GROUP STRUCTURE AS AT THE LATEST PRACTICABLE DATE AND IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION

The following chart sets out the shareholding and corporate structure of our Group as at the Latest Practicable Date:



OUR GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE CAPITALISATION ISSUE AND THE PLACING

The following chart sets out the shareholding and corporate structure immediately after completion of the Capitalisation Issue and the Placing (but without taking into account the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme):



OVERVIEW

We are a well-established retail chain business in lighting and designer label furniture and accessory products in Hong Kong. We position ourselves in the market as a brand operator and brand-driven retailer of quality lighting and designer label furniture products, and are generally regarded with professionalism in our chosen fields. According to the Ipsos Report, we possess one of the most extensive lighting retail chain networks in Hong Kong and we leverage on our extensive retail network which is strategically situated in favourable locations in Hong Kong.

Through our multi-branding and multi-layer business model, we offer a wide selection of products with different designs at varying price range to cater for different customer groups from all walks of life. These include generic, commonplace products like ceiling lights to Luminaries from a number of renowned international brands and designer labels in the world, including principally ARTEMIDE, KARTELL and TOM DIXON. To the best of our knowledge, we are amongst the foremost retailers in Hong Kong to directly approach European brands of lighting products for distributing of their products.

We are currently the designated or authorised distributor in Hong Kong of lighting and furniture products from over 30 international brands and designer labels. The designer label products we carry represent some of the world-famous lighting and European furniture designers specialising in contemporary home lighting and furnishing. They are generally regarded as innovative and original designs of high quality that contribute to standard of living, and as such command a premium pricing over generic products commonly found in the marketplace. These designer label products are manufactured in various countries such as Italy, Germany and the United Kingdom. We are not the exclusive distributor of the products we sell and we are aware that certain of our competitors in Hong Kong also carry certain of our products. We do not sell products under our own brand name and only sell products of third party brands.

We do not target customer groups of any particular sex, age or income range. Nevertheless, customers coming from middle-class to upscale social circles with higher disposable income are of strategic importance to us, as these are the customers principally buying our premium branding and designer label products which are the backbone of our branding profile. Our Directors believe that along with the general raise in educational level and disposable income, our customers nowadays generally prefer branded quality products from the higher-end spectrum that contribute to the quality of living. We consider our market positioning is well poised to benefit from these overriding market trends.

OUR BUSINESS MODEL

Our retail chain business can be divided into two parts:

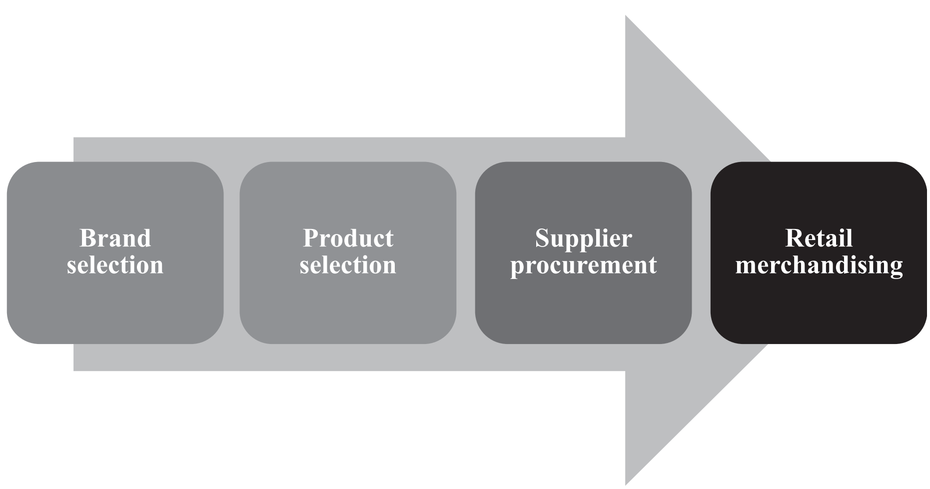
- Retail sales of a wide selection of lighting appliance products ranging from commonplace Light Fittings to professional luminaries from international brands and designer labels.
- Retail sales of designer label furniture and accessory products through a designated mono-branded retail store and also our retail chain network.

Our business model is grounded on a two tier brand driven retail chain operation which accredit customers' perceived relative brand importance:

- First and foremost, by the international brands and designer labels we carry as distributors.
- Secondly, by the sub-branding of our own trademarks.

Business process

Our business process can be illustrated with the following schematic diagram:



Brand selection

Our Directors believe that the selection and assemblage of product branding profile is a crucial competitive factor in the retail business. We explore the profile of new brands in the international scene to identify brands with promising potential within the Hong Kong market based on our brand management expertise and industry experience accumulated through years of our business involvement with various international brands and designer labels.

In so doing, we have paid regards to (i) our business acumen and market sensitivity; and (ii) market intelligence and insight with prevailing market trends obtained from business connections with designers and business managers of the international brands and designer labels carried by ourselves and attendance at international trade fairs and exhibitions.

When finalising on the selection of a new brand, we primarily base our decision on the following important criteria:

I. reputation and professional image projected of the new brand;

II. quality and design talent exhibited by their products; and

III. alliance of the new brand with our strategic direction and contribution to upholding and/or enhancing our branding profile.

Other factors evaluated by us in the selection of a new brand include the supply lead time involved in the sourcing of their products. For those new brands for which we have identified as having potential and are interested in adding to our portfolio, we proceed to solicit contact and business negotiation. Because of the high visibility of the international brands and designer labels we carry and the extensive number of our retail outlets, there were many past instances of new brands taking the initiative of directly approaching us.

Product selection

For those new incoming brands for which we have successfully liaised to act as their distributor, we proceed to select from their full range of products listed in their brand catalogue the specific products for which we have evaluated to be possibly well received by the local market. In so doing, we base our final product selection decision on our insight with characteristic local consumer behaviour and experience accumulated over the years in direct dealing with customers and brand managers in our chosen fields. We proceed to procure small samples of the specific product models selected by us by making a purchasing order with the new incoming brand, and designate one of our retail outlets to test out the market response before proceeding to commercial scale ordering.

Supplier procurement

For those specific product models we have put through test trial and evaluated to have positive market response, we proceed to commercial scale ordering. We source our selected products directly from suppliers and manufacturers in various overseas countries such as Italy, Germany and the United Kingdom. Where our suppliers have established their representative office in Hong Kong, we place our purchase orders directly with their local representative office but deliveries may be made from their overseas warehouse.

Our purchases are exclusively outright purchase of finished products on a piecemeal and order-by-order basis. We typically do not enter into any long term supply arrangement. All of our supplies are finished products and deliveries are primarily made to our centralised warehouse in Hong Kong. Some of our Light Fittings orders of small batches for a specific retail outlet, LED light bulbs and electricity panels, etc. may be delivered directly to our retail stores. The turnaround time for delivery from overseas suppliers may typically take up to 45 to 90 days.

Retail merchandising

From our centralised warehouse, the merchandising items are distributed throughout our retail chain network for display in specific retail outlets and making sales to customers. We consummate our sale process with the design layout and decorations of our retails outlets with promotional materials such as stickers, brand tags and posters that contribute to the overall customer buying experience. Each of our retail outlets are attended by salesmen who comprehensively and promptly address our customers' needs and enquiries.

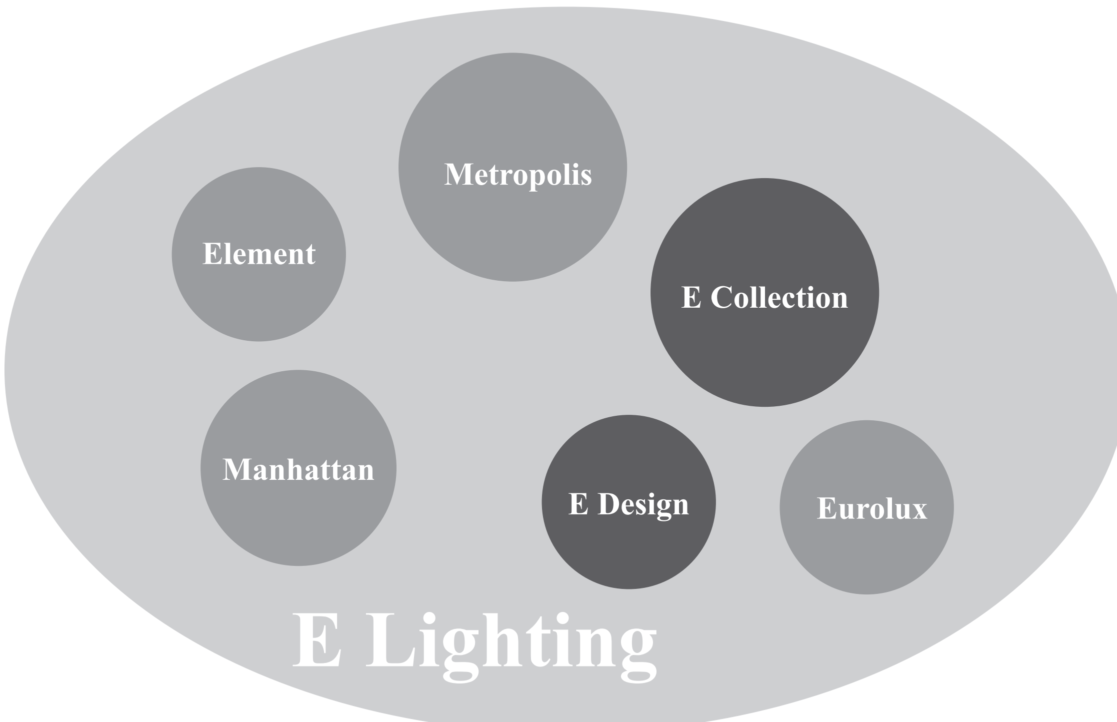
We leverage on the large number of international brands we carry to blend and combine the arsenal of product varieties at our disposal to come up with a most appealing combination for a designated retail outlet. At the direction of our executive Director, Mr. Hui, who has a Master's degree in design and oversees our retail chain strategic positioning and marketing, we have designed the layout and decorations with certain of our retail outlets with contemporary modernism concepts that contribute to the overall buying experience.

The clustering retail business approach

We currently operate a total of 17 retail outlets in Hong Kong. The highlight of our retail chain network is the clustering of 9 of our retail outlets which are strategically sited within close vicinity of each other in Morrison Hill Road, Wanchai. Besides our own retail outlets, there are a number of other retail stores for lighting appliance products in Morrison Hill Road being run by our fellow competitors. The concentration of lighting appliance outlets in Morrison Hill Road generates a consolidation effect to promote the area as being a primary locus for lighting appliance products, which in turn promotes customer traffic and sales capacity for the area and enable us to benefit therefrom. We believe our clustering business model presents to our customers an alternative but equally satisfying buying experience compared to mega stores which centralise all products and brands. Complementary to our business clustering model, we have accorded certain of our retail outlets with varying distinguishing sales themes to enhance their distinctive positioning.

Sub-branding of own trademarks

The second tier in our business model consists of the sub-branding of our retail outlets with our own trademarks. We own a number of trademarks (either registered or in the process of registration) and we designate our retail outlets with these trademarks. Our leading trademark is E LIGHTING, followed by other sub-ordinate trademarks, namely E DESIGN, E COLLECTION, MANHATTAN, EUROLUX, METROPOLIS and ELEMENT LIGHTING DESIGN, as illustrated in the following schematic diagram:



We have accorded each of our trademarks branding with varying sales themes and distinguishing branding concept to enhance their distinctive market positioning, as follows:

Sub-branding	Branding concept
E LIGHTING	Our lead branding with LED lighting products as primary business focus. We have identified LED products as one of the primary drivers for future growth within the lighting business as they accord with the overriding global themes of environmental protection and energy saving
E DESIGN	Designer label lighting and furniture products of innovative and state-of-the-art aesthetic designs, with an emphasis on ARTEMIDE luminaries and premium lighting products

Sub-branding	Branding concept
E COLLECTION	Designer label lighting and furniture products of innovative and state-of-the-art aesthetic designs, with an emphasis on KARTELL branded furniture product
METROPOLIS	Lighting products of contemporary metropolitan design, mainly for residential application but also to a limited extent commercial applications
EUROLUX	Lighting products of European classic elegance design, and also limited assortment of lighting designs of more exotic origin and design outlook
MANHATTAN LIGHTING	Specialising in crystal Chandeliers which are decorative ceiling-mounted Light Fittings with arrays of crystal prisms to illuminate a room with refracted light
ELEMENT LIGHTING DESIGN	Lighting products of more traditional, modest design with an emphasis on simplicity and practicality with our widest selection of commercial lighting products

In recent years, we have increased the use of our "E LIGHTING" logo amongst our own sub-branding to increase public exposure to our lead branding and also our increasing strategic emphasis on LED products. Because our business model encompasses a multi-layered product profile to cater for different customer groups, we have furnished our retail outlets with an assemblage of a wide selection of products that inevitably overlap to a certain extent, notwithstanding that our respective sub-branding of retail outlet each have its distinguishing sales themes. In our experience, many of our customers would buy more than one type of products in a single purchase transaction and this approach best suits their needs. We consider our approach to the blending of different variety of products accord with the underlying consumer purchasing behaviour and are favourable to our business.

OUR PRODUCTS

Sale of lighting appliance products makes up the highest portion of our business revenue. Over the years, we have diversified into furniture and accessory products principally of designer label to complement our product portfolio. Nevertheless, revenue from the sale of lighting appliance products remains a significant proportion of our business and accounted for approximately 90% of our total sales revenue during the Track Record Period.

The following table presents the analysis of our sales revenue by product category generated from our retail business sales for the Track Record Period:

	Year ended 31 March			
	2013		2014	
	HK$'000	%	HK$'000	%
Sale of lighting appliance products	63,139	91.8%	71,276	90.0%
Sale of designer label furniture and accessories	5,640	8.2%	7,882	10.0%
Total	68,779	100%	79,158	100%

Lighting appliance products

The lighting appliance products distributed by us include Light Fittings and luminaries for principally residential applications and encompass products ranging from commonplace products of versatile and universal application to high-end professional illumination from international designer labels.

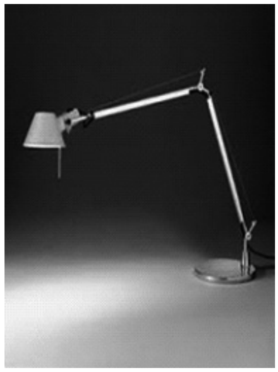
Premium global brand luminaries

In the realm of premium luminaries, we focus on distributing products from renowned global brands and designer labels, as follows:

(I) *Professional luminaries from ARTEMIDE*

We are the authorised distributor of high-end professional luminaries from ARTEMIDE of Italy, which is one of the top global luminary brands. ARTEMIDE is generally recognised in the international scene for its top-notch technical performance and aesthetic design concepts specialising in light sources, optics and electronic components. Certain series of ARTEMIDE products are characterised by innovative, aesthetic designs which fall into various series of distinctive design themes.

Our Directors believe that ARTEMIDE has an international distribution presence in the most prestigious luminary and furniture shops in the world. Its designs have been bestowed with various international awards and European design prizes.



The typical price range for ARTEMIDE products generally ranges from approximately HK$1,000 to approximately HK$140,000.

(II) *Designer label lamps of creative designs from KARTELL*

We are also the carrier of KARTELL lamps. KARTELL is a globally renowned designer label which also supplies us with furniture and accessory products. Further details of KARTELL's background are set out in the paragraph headed "Our Products — Designer label furniture and accessory products" below.

KARTELL lamps carried by us include its best-selling items such as the KARTELL Bourgie series of decorative desk or table lamps which are of unique design combining classic tradition with innovation to make use of pleated lampshade to create a gradation effect of light reflections.


The typical price range for KARTELL lamps generally ranges from approximately HK$800 to approximately HK$13,000.

(III) *Designer label lamps of creative designs from TOM DIXON*

The other international designer label of lighting products carried by us is the British based designer label of TOM DIXON. These includes adventurous designs with distinctive visual appeal to induce a sense of modernity while maintain versatility within a modern interior environment, such as TOM DIXON's Mirror Ball series of lightings created by exploding a thin layer of pure metal onto the internal surface of a polycarbonate globe to produce a unique shiny reflective outlook.



The typical price range for TOM DIXON lighting products generally ranges from approximately HK$700 to approximately HK$17,000.

(IV) *Premium LED Light Fittings from PANASONIC*

PANASONIC from Japan is a renowned global brand manufacturer for household electronic products. We have strategised our positioning with PANASONIC with their LED products. The PANASONIC products we carry are principally LED Light Fittings for interior illumination, such as LED ceiling lights, LED Downlight and surface-mounted LED brackets.

To the best of our knowledge, although there are many lighting retailers in Hong Kong carrying PANASONIC lighting products, the predominance of those products are Fluorescent Lamps and we are the principal distributor in Hong Kong of PANASONIC LED products.

As part of our strategic direction in capturing the flourishing LED market, we have opened our first PANASONIC LED Concept Shop in 2013.

As at the Latest Practicable Date, Shun Hing Electric Works & Engineering Co., Ltd., the authorised wholesaler of PANASONIC products in Hong Kong, has enlisted a total of two of our retail outlets as PANASONIC LED Concept Shop in Hong Kong.



The typical price range for PANASONIC LED products ranges generally from approximately HK$400 to approximately HK$8,000.

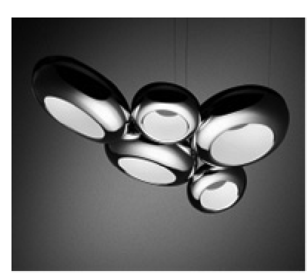
Quality decorative lamps of primarily European origin

Quality decorative lamps are mainly of European origin and include countries such as Italy which is known for its craftsmanship and cultural heritage of fashion design. This category covers products like decorative Pendant Lights, table lamps and bedside lamps, etc., with an emphasis on the aesthetic, decorative outlook to enhance the interior environment.

The international brands of European origin carried by us include MANTRA of Spain, LAMPGUSTAF and MARKSJOLD, being both from Sweden, as well as NOOVO of the United Kingdom, which, as far as our Directors are aware based on publicly available information, has a design hub in Hong Kong.

Belonging to this product category of quality decorative lamps but of non-European origins include such other international brands as VISO of Canada and also various Asian brands from Thailand, Japan and Singapore. Certain of these Asian products are of limited assortment of lighting designs of more exotic origin and design outlook.





The typical price range for these products ranges from approximately HK$200 to approximately HK$37,000.

Commonplace Light Fittings and lighting appliance products

These are Light Fittings and lighting appliance products of generic, commonplace design with similar products widely available in the marketplace. These products are characterised by (i) general adaptability and versatility, universal applications; (ii) wide assortment of available models at affordable prices; and (iii) few technological innovations. Products belonging to this class include the following product sub-categories:

(I) *Contemporary lighting apparatus*

These are at the lower-end hierarchy of our portfolio of residential lighting products and cover various Light Fittings and apparatus of modest contemporary design outlook commonly adopted in household interior environment. Products belonging to this category include items such as ceiling lights, table lamps, floor lights, free standing floor lamps, desk lamps, surface-mounted LED brackets. Our Directors understand that more frequent changes may be made to the external appearance of the same basic design architect with certain products belonging to this category to generate market novelty.

The contemporary lighting apparatus carried by us are mainly sourced from several PRC manufacturers.

The typical price range for these products generally ranges from approximately HK$240 to approximately HK$13,500.

(II) *Commercial and architectural lighting apparatus and accessories*

We also carry lighting apparatus for commercial and architectural applications, principally office ceiling reflector type Downlight and Recessed Light which typically are sold in the price range of approximately HK$30 to approximately HK$7,000. As far as our Directors are aware, customers for these products are mainly architects and contractors for building construction works, including those in relation to demonstration booth of new residential housing estates, as well as certain commercial establishment, such as restaurants, who bought these products for installation in their own places of business. We understand that certain non-commercial, household customers may also purchase these items for their household applications.

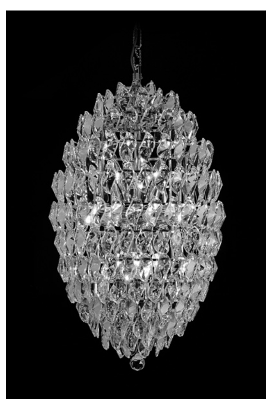
We sourced these products from several suppliers and manufacturers in Hong Kong and the PRC.

In addition, during the Track Record Period, we also made intermittent sales of miscellaneous accessories for lighting applications such as power supply apparatus to customers.

(III) *Chandeliers and crystal lightings*

Chandeliers and crystal lightings are classic style, decorative ceiling-mounted Light Fittings with branched supports for a number of lights arrays or crystal prisms to illuminate a room with refracted light. These products have been around in the market for a long time and widely adopted to enhance the interior environment with an atmosphere of elegance.

A Chandelier consists of two parts, namely the mainframe and the crystal glass parts which is coupled to the mainframe as embellishment. We source the mainframes and the crystal glass parts mainly from two suppliers in Hong Kong, including a dealer of a world famous producer of luxury cut lead glass in Austria, and a dealer of ASFOUR CRYSTAL in Cairo, Egypt, which is one of the world's largest manufacturers and exporters of crystal.



The typical price range for Chandeliers and crystal lighting products generally ranges from approximately HK$1,200 to approximately HK$256,000.

Ceiling fan Light Fittings

These are ceiling lights of contemporary design with fan blades prostrated from a motor compartment located at the end of the suspension down-rod. These products serve to enhance cooling and air circulation in a dormitory-like environment. Our Directors believe that ceiling fan Light Fittings are adaptable to the Hong Kong household environment to alleviate the humid weather conditions during summer seasons yet providing illumination.

The ceiling fan lightings carried by us are mainly of Australia and United States origins and include such manufacturers as HUNTER PACIFIC, MODERN FAN and MARTEC.

The typical price range for ceiling fan Light Fittings generally ranges from approximately HK$1,200 to approximately HK$9,000.

LED light bulbs

We carry LED light bulbs for complementary sales to our lighting products, as many of our customers also buy these accessories alongside their main purchase of Light Fittings.

LED light bulbs distributed by us are from manufacturers/distributors of MEGAMAN of Germany, SYLVANIA of the United Kingdom and LEDISONG of Hong Kong.

The typical price range for these products generally ranges from approximately HK$50 to approximately HK$600. Revenue from sales of these products has not been significant to our business during the Track Record Period.

Electrical switches and panels

We carry electrical switches and panels to complement our sales of lighting products, as certain customers also buy these accessories alongside their main purchase of Light Fittings.

Electrical switches and panels distributed by us are from two global branded suppliers from France and Italy, respectively. Certain of the more expensive items belonging to this product category are of aesthetic designs.

The typical price range for these products generally ranges from approximately HK$10 to approximately HK$3,600. Revenue from sales of these products has not been significant to our business during the Track Record Period.

Designer label furniture and accessory products

The designer label furniture and accessory products distributed by us principally include products of designer chairs, tables, modular wares of variously diverse applications principally from KARTELL of Italy which is one of the most well-known international designer labels to contemporary home furnishing with not less than 300 flagship stores and store-within-a-store throughout the world. KARTELL is an innovative designer label renowned for its originality, variety and depth of product range, and has been bestowed with a string of prestigious international design awards over the years.

We believe KARTELL products are known for its proficient use of glazing board colours, functional features of unique forms, and new materials in combination with technological innovation to create a sensational visual experience. KARTELL's products are distinctive in its generous use of innovative thermoplastic materials and were amongst the first companies in the world to use polycarbonate in the production of interior design items.

These products include items such as various iterations of the famous best-selling KARTELL Ghost Chair, which is a unique product that comes in one single sculptural moulded piece of transparent or coloured polycarbonate, and has been acclaimed as one of the original iconic modernist furniture designs of our times.

We also carry to a limited scope selected assortment of furniture products from TOM DIXON and another Italian brand, but KARTELL furniture products constitute the preponderance of the designer label furniture products we carry. The typical price range for KARTELL furniture and accessories generally ranges from HK$100 to approximately HK$47,000.

OUR PRINCIPAL COMPETITIVE STRENGTHS

We believe our success is principally attributable to the following competitive strengths:

We possess one of the most extensive retail chain networks in Hong Kong for lighting and designer label products

To the best of our knowledge, we possess one of the most extensive retail chain networks in Hong Kong for lighting and designer label products.

According to the Ipsos Report, the market for lighting appliance products in Hong Kong is fragmented and there were approximately 106 lighting product retailers in Hong Kong in 2013 that offer to the market both Light Fixtures and portable lighting products. These lighting product retailers operated a total of 204 lighting product outlets in Hong Kong. Lighting product retailers in Hong Kong include the respective categories of (i) lighting specialty stores; (ii) department stores; and (iii) home improvement stores. Of these, lighting specialty stores accounted for approximately 80.2% of by sales value of the lighting retail market in Hong Kong in 2013.

Retailers of lighting specialty stores in the lighting products industry in Hong Kong are usually local businesses which have been in the industry for numerous years. We are aware that a substantial proportion of these retailers are generic, commonplace singleton lighting stores operating on the basis of sole proprietorship or family business. According to the Ipsos Report, we were ranked as the largest lighting specialty retailer in Hong Kong in 2013 in terms of both revenue and number of retail outlets with a market share of approximately 12.1% of the total revenue of the lighting product retail industry.

We currently operate a total of 17 retail outlets in Hong Kong which are strategically sited in favourable location. The highlight of our retail chain network is the clustering of 9 of our retail outlets which are strategically situated within close vicinity of each other in Morrison Hill Road, Wanchai to generate a consolidation effect to promote the area to become a primary locus for lighting appliance products, which in turn promote customer traffic and sales capacity for the area.

Complementary to our business clustering model, we have accorded certain of our retail outlets with varying distinguishing sales themes to enhance their distinctive positioning, such as a LED flagship store which primarily showcases our LED products, a KARTELL mono-branded store, a designer label lighting store specialising in innovative and state-of-the-art aesthetic designs with an emphasis on ARTEMIDE luminaries.

The extensive number of our retail outlets which we believe outcast other generic, commonplace competitors in the market by a significant margin considerably bolster our sales-making capacity and enable us to implement a systematic approach to manage our business. We believe we have accomplished economies of scale not commonly attainable by our fellow competitors, as well as flexibility in mobilising resources across different retail points-of-sale.

Distinctive market positioning as knowledgeable professional in quality lighting and designer furniture products

Our business is characterised by clearly delineated themes and conceptual foundation. We distinguish ourselves from our competitors as a knowledgeable professional in our chosen field. We believe we are generally regarded by our suppliers as being well versed and conversant in the higher-end spectrum of the consumer lighting appliances market.

Certain of the international designer labels that we carry such as ARTEMIDE and KARTELL are forerunners with creativity and innovation in their chosen fields and market niche, with an emphasis on functional quality and accessibility. We consider certain of these global brands carried by us to encompass an entire product range that demonstrate self-efficacy and are readily marketable by potentially launching mono-branded retail shops to showcase their distinguishing design themes.

Compared to the more generic and commonplace lighting products carried by many singleton lighting stores in Hong Kong, the merchandising profile we carry extends to higher-end sophistication and incorporates various contemporary design concepts such as eco-design, aesthetic conception, and lighting as functional ornament to enhance the quality of living. We believe our strategic market positioning coheres well with the design concept of the major designer labels we carry.

Certain of the international designer labels and brands we carry have firmly established themselves as reputable and renowned designer labels in the international scene and are widely recognised as trend setters in their chosen fields. New product designs coming out annually from these renowned designer labels in the world are showcased in major international trade fairs and exhibitions. These events promote publicity and attraction. Through such market exposure, these renowned designer labels help shape the product trends in their chosen fields. We believe one of the reasons our customers are buying the branded products we carry is because these products exhibit the latest worldwide trends and fashions.

Our allegiance with international designer labels and distinguishing product profile afford us with perceived distinguishing eminence and professionalism which set us apart from the commonplace products which dominate in an overcrowded market, and spares us from the price competitions commonly found with the lower-end spectrum of the lighting appliances market by emphasising the uniqueness of the products we carry, enabling us to sustain a respectable profit margin. Our Directors believe as and when the society's general education level increases and thus, customers generally develop a higher demand for quality living, we believe our strategic market positioning prepares ourselves a solid platform for the growth of our business and to capture future opportunities.

We have distinguishing brand management expertise and are able to showcase and well present our brands

In an overcrowded market place populated with generic and commonplace lighting products, we distinguish ourselves as an accomplished brand manager with expertise in presenting and showcasing higher-end spectrum of the lighting and designer label products. We have a proven track record of successful introduction and commercialisation of new brands into the Hong Kong market. Mr. Hui, who oversees our retail chain strategic positioning and marketing, has a Master of design degree and established a long term relationship with designers and managers from the most renowned international brands and designer labels that we carry, as well as appraise and advise on their branding presentation channels in relation to local market environment.

Over the years of making sales with international brands and designer label products, we have accomplished both practical experience and a thorough understanding of consumer behaviour with premium lighting and designer label products. We consider our ability to explore a designer label profile and to conceptualise, present and showcase what a brand stands for is ahead than most other fellow competitors in Hong Kong. We consider that many of our fellow competitors that are operating on a sole-proprietorship or family business basis are typically deprived of our conceptual foundation in these directions.

We are able to designate one of our store outlets in our existing retail chain as a flagship mono-branded store for KARTELL products, and consummate with decorative designs to uphold and showcase the unique theme of this designer label. In comparison, we consider that although some of our competitors also carry certain of our designer label products, their market positioning is more ambiguous and frequently appears as after-thought disposition that generally do not blend well with their other products to formulate a distinguishing marketing theme. We are able to distinguish ourselves as accomplished brand managers from these fellow competitors who are often perceived as more like brand collectors.

The designer labels we carry are characterised by evolving contemporary design concepts of originality and technical innovation, and the use of new materials to create new visual experiences. At the direction of our executive Director, Mr. Hui, we have designed the display and decorations with certain of our principal retail outlets for designer label products with modern concepts of simplicity to evoke an elite atmosphere. We believe our approach synthesise well with the conceptions of the designer labels that we carry and serve to showcase the excellence with their products. We believe our brand management expertise uphold the prestigious branding image and bolster the creative vision that these renowned global brands sought after.

We excel in terms of product variety, inventory availability and affordability

We afford our customers with a fuller spectrum of products than our competitors. While certain of our competitors like concessionary counters in department store also carry a limited assortment of our designer label products, we offer to the market a remarkably fuller product range and at times the entire production series for selected items.

We maintain our own dedicated warehouse in Hong Kong to assure general stock availability, while individual retail stores and concessionary counters in department stores generally have limited stock carrying capacity and practise inventory hoarding in small quantities. The range of models offered by our competitors generally is narrow compared to the range of the product models we carry. For the majority of the products we carry, we bypass the wholesaler and directly source from the suppliers of international brands and designer labels to keep our product prices affordable.

We are the partner of choice for international brands coming to the Hong Kong market

We believe we are a potentially attractive distributor or partner for international designer labels of lighting and furniture products looking to explore Hong Kong as a new market for their products. Our Directors believe that prestigious brands and designer labels of international calibre are eager to maintain and perpetuate the reputation they have built up, as the upholding and maintenance of the prestige of a brand name and designer label is of the utmost importance to their success in the international market and is an important factor which enables these brands and designer labels to command a premium pricing structure.

As such, they are cautious in their choice of distributors who carry their products and generally refrain from partners with doubtful background, as their brand names may be negatively affected by association with brand managers without proper skills and duty of care. Our reputation and proven track record as distinguishing brand manager of international brands and designer labels present us as a foremost candidate of choice for new international designer labels looking to expand their business in Hong Kong, enabling us to capture incipient and newly blossoming brands in the international market and grow our portfolio over time.

We are currently the distributor of over 30 international brands and labels of lighting and furniture products. Because of our proven expertise in managing a number of international brands and labels for lighting and furniture products, we consider ourselves more capable than many of our competitors to identify and incubate new brands of promising potential with the local market. The extensive number of our retail outlets enables us to designate one or few of our retail outlets to trial and observe market response to new brands.

Close involvement and established long-term working relationship with key branded suppliers

To the best of our knowledge, because of the extensive number of our retail outlets, we are ranked by many of our branded suppliers as amongst their major distributors in Hong Kong. The prominence of our position with these suppliers promote a close working relationship amongst ourselves which enables us to keep abreast of the latest trends with their products as well as opportunities to offering our advice. Our Directors believe that our proactive role in managing our relationship with our suppliers differentiates us from most of the other competitors in the market.

For designer labels competing in the international scene, our close working relationship with them afford us with the edge of market intelligence to identify the prevailing market sentiment and emerging market trends with designer label products. New design releases from these world-known designer labels are beheld by fellow designers and businessmen and help shape the product trends in their chosen fields. Our executive Director, Mr. Hui, who oversees our retail chain strategic positioning and marketing as well as supplier relationship management, is personally involved in liaising with designers and business managers from these international labels and makes overseas business trips as necessary to meet and connect with these parties to liaise business opportunities, including the attendance to major international trade exhibitions and fairs and expositions held in Milan of Italy and Hong Kong, etc. in which the international labels showcase their latest designs. With Mr. Hui's attendance at these events, he studies the similarity between top brands to appraise the underlying emerging trend drivers and opportunities, as well as marketing activities from competing brands.

Experienced management team

We have an experienced management team led by our executive Director, Mr. Hui, who has a Master's degree in design and over 19 years of extensive experience in the retail business of lighting appliances and designer label products. Mr. Hui oversees our retail chain strategic positioning and marketing and is personally involved with managing supplier relationship. Mr. Hui has accumulated extensive experience in liaising with designers and managers from the well-known international brands and designer labels that we carry and has collected business acumen which we believe are not commonly found with our fellow competitors. In addition, each of Mr. Chou, Mr. David Chang and Mr. Wong Peng Lin of our senior management has over 10 years of experience in the lighting appliances industry. We are generally well regarded by our suppliers as exhibiting professionalism in our chosen fields. Under the leadership of our executive Directors and senior management, our business has continually grown over the years since the establishment of our Group.

OUR STRATEGIES AND FUTURE PROSPECT

During the Track Record Period, we witnessed an episode of more difficult business environment with household furnishing products in Hong Kong. As statistically compiled by the Land Registry, the number of transactions for residential properties in Hong Kong decreased from 81,333 for 2012 to 50,676 for 2013, representing a significant decline of approximately 37.7% in a single year. We understand that a series of cooling measures, including heavier stamp duties, introduced by the Hong Kong Government to curb over-heated property prices may have contributed to the significant decline in volume of transactions for the property market. The low transaction volume with the property market in turn contributed to the lower sales volume for our retail chain business. Please refer to the section "Industry Overview" of this prospectus for further details of the general business environment with the lighting industry and the number of transactions for residential properties in Hong Kong in recent years.

We consider the prevailing situation with the Hong Kong property market of halted high price level with significant downturn in number of transactions may continue to post challenging business environment for our retail chain business. Notwithstanding the aforesaid, our Directors are positive of future prospect with the lighting industry. According to the Ipsos Report, it is projected that the sales growth will pick up from 2014 to 2017 due to the expected growth in housing supply. The increase in lighting product retail prices due to the increased sales of LED products and designer's lighting products, and the expansion in the numbers of middle-end lighting products offered by the chained lighting stores is also supporting the growth in retail sales value with the lighting industry. Please refer to the section "Industry Overview" of this prospectus for further details.

Looking forward, we intend to continue our business focus on the Hong Kong market. We anticipate that the sale of lighting products will continue to contribute not less than 70% of our overall business. We intend to adopt the following strategies to accommodate the changing market environment.

We shall expand our retail floor area in Hong Kong to further bolster our sales capacity and capture increasing market share

Notwithstanding that we have already firmly established ourselves as one of the most extensive retail chain networks in Hong Kong with our chosen fields, we have plans for further expansion of our retail floor area, principally through the opening of more retail outlets in Hong Kong to capture increasing market share, including the full capitalisation of the Hong Kong market as a buying centre and transfer port for the influx of tourists from China.

We have evaluated that, despite the highly competitive market environment, there are unexplored market opportunities for our business. According to the Ipsos Report, there were approximately 204 lighting product outlets in Hong Kong in 2013 selling both Light Fixtures and portable lighting products. We are aware that a substantial proportion of these retail outlets are generic and commonplace singleton lighting stores operating on the basis of small-scale sole-proprietorship or family business. We anticipate that with the general shift in consumer preference to branded quality products along with the general raise in educational level and disposable income, certain of these individual retail stores will be gradually phased out and replaced over time by better profiled retailers like ourselves which have a more thorough knowledge base.

We aim to capture market share currently shared by some of these commonplace lighting stores. Besides the potential expansion of retail floor area with our existing retail zones, notably Mongkok, Kowloon and Shatin, New Territories, we anticipate that the Listing proceeds will be applied principally to the ends of the establishment of retail floor area in retail zones previously uncharted by ourselves. We intend to replicate our proven business clustering model which we have successfully implemented at Morrison Hill Road and introduce new retail outlets in the vicinity of the districts populated with these commonplace lighting stores. We intend to select from our pool of brands we carry and furnish our new retail outlets with the most promising product combination, based on our assessment of the customer profile and purchasing power with the new districts.

By virtue of our more advanced market profile, the entrenchment of our retail outlets into the new districts is expected to generate more attractions than existing lighting stores in the area which we believe will eventually phase out. As such, we anticipate the lag time for achieving break-even position with our new retail outlets will be relatively manageable. Based on our experience with the opening of retail outlets in recent years, we anticipate that it will take approximately 3 months on average for a new retail outlet to achieve break-even position, in order that the new retail outlet will be able to generate sufficient sales revenue to cover its recurrent operating cost. As and when we have firmly established our foundation in the new district, we shall introduce more retail outlets in the peripheral of the new districts either through the establishment of additional retail outlets or by acquiring existing stores. Along with other competitors' existing lighting stores in the new districts, through the gradual entrenchment of the new territory we aspire to establish a consolidation effect to promote the new districts to become a new locus for lighting appliance products, which shall in turn promote consumer traffic and sales-making capacity for the area.

As at the Latest Practicable Date, we had 17 stores covering an aggregate gross retail floor areas of approximately 28,513 sq. ft.. We intend to expand our retail floor areas by 12,000 sq. ft., representing an enlargement of approximately 42.1% of our existing retail floor areas, during the period from the Latest Practicable Date to 30 September 2016, principally through the opening of further retail stores in various districts in Hong Kong. We have tentatively identified several districts in Hong Kong including mainly uncharted territories of ourselves such as Tsuen Wan and a few shopping malls for which there are signs of emerging clustering of furniture and lighting appliances retail zones. We have evaluated these districts to be potentially suitable for the implementation of our business model. We intend to establish new retail floor area in these previously unexploited retail districts and a majority proportion of our Listing proceeds will be applied to these ends.

The following table presents an analysis of the distribution of our existing gross retail floor areas as at the Latest Practicable Date and the planned additions of retail floor areas for each of the period/six-month-periods which comprise the period from the Latest Practicable Date to 30 September 2016:

	As at the Latest Practicable Date	From the Latest Practicable Date to 31 March 2015	For the six months ending 30 September 2015	For the six months ending 31 March 2016	For the six months ending 30 September 2016	Total
	(sq.ft.)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(sq.ft.)
Hong Kong Island	23,242	1,000	1,000	1,000	1,000	27,242
Kowloon	2,635	1,000	1,000	1,000	1,000	6,635
New Territories	2,636	1,000	1,000	1,000	1,000	6,636
Total	28,513	3,000	3,000	3,000	3,000	40,513

We anticipate that our planned additions to retail floor areas will include a combination of (i) LED specialty stores; (ii) lighting appliance product stores; and (iii) lighting and designer label furniture products stores. The following table presents the distribution by business focus and nature of our existing gross retail floor areas and those planned additions to retail floor areas over each of the period/six-month-periods which comprise the period from the Latest Practicable Date to 30 September 2016:

	As at the Latest Practicable Date	From the Latest Practicable Date to 31 March 2015	For the six months ending 30 September 2015	For the six months ending 31 March 2016	For the six months ending 30 September 2016	Total
	(sq.ft.)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(sq.ft.)	(sq.ft.)
LED specialty store retail floor area	4,613	1,000	1,000	1,000	1,000	8,613
Lighting store retail floor area	9,804	1,000	1,000	1,000	1,000	13,804
Lighting & furniture combined store retail floor area	14,096	1,000	1,000	1,000	1,000	18,096
Total	28,513	3,000	3,000	3,000	3,000	40,513

The distribution of our planned additions to retail floor areas by respective regional location of Hong Kong Island, Kowloon and New Territories will depend on a number of factors including market condition, the successful negotiation with landlords in our targeted areas, our assessment of the consumer behaviour and customer traffic surrounding the location we manage to incept a tenancy at rental rates acceptable to us for the area concerned. Accordingly, it is impracticable to confirm at this stage the exact regional locations of the respective business focus and categories of our planned additions to retail floor areas. However, we consider that we have a reasonable chance of securing tenancy in our targeted areas as we consider ourselves a potentially desirable anchoring tenant for landlords of certain shopping districts, as the prestige of the global brands and designer labels we carry could potentially enhance the profile of these areas. Accordingly, at this stage, we do not anticipate significant deviation from the foregoing analysis concerning the distribution of our planned additions to retail floor areas.

On the basis that the planned expansion of our retail floor areas will be carried out wholly through the opening of new stores, and the average floor area of 1,000 sq.ft. for each new store, the enlarged retail floor areas of 12,000 sq. ft. would be equivalent to 12 new stores to be opened during the period from the Latest Practicable Date to 30 September 2016. Notwithstanding that the number and distribution of the new retail stores may deviate from our plan, we aim to open a sufficient number of new stores which confer us with floor areas of approximately 12,000 sq.ft. in aggregate.

The budget expenditures for each 1,000 sq. ft. by area for our planned additions to retail floor areas which mainly include capital expenditures of renovations, purchase of inventories, rental deposits for the new stores, general working capital for the new stores and miscellaneous expenditure outlay such as property agency commission is expected to be approximately HK$2.8 million. We believe that the net proceeds from the Placing will be sufficient to cover all costs of our expansion plan.

Depending on the market environment and availability of suitable locations for opening of new retail stores, for certain portion of the planned expansion of retail floor area, in lieu of the opening of new retail stores, we may also evaluate the feasibility of our expansion plan through the take-over of existing lighting stores currently operated by fellow competitors and/ or acquisition of equity interest in entities currently owning these existing lighting stores in order to achieve our planned additions of new floor area. Our Group will consider factors including, but not limited to, (i) the level of compliance with all relevant rules and regulations; (ii) the synergy effect to the existing business of our Group; (iii) whether the location is in line with our strategy to tap into unexploited districts in Hong Kong; (iv) contribution to our current product mix from product brands in possession of other existing lighting stores being taken over by us; and (v) acquisition price and related cost. Once identified by our Group, potential targets will be evaluated according to the abovementioned factors.

Our Group has yet to commence the identification of acquisition target. Accordingly, no specific target has been identified and no formal negotiation has been conducted for the acquisition of existing lighting stores or relevant entities' equity interest by our Group as at the Latest Practicable Date.

Feasibility of our future plan to expand retail floor area

As explained in the paragraph headed "Financial Information — Factors affecting our results of operations — Expansion of retail chain network" of this prospectus, there was a decline in average annual sales revenue per retail outlet during the Track Record Period because of (i) the more difficult business environment with household furnishing products in Hong Kong due to the low transaction volume with the property market, which contributed to the lower sales volume for our retail chain business; and (ii) as our business expanded and opened more retail outlets, certain of these new outlets take time to build up sales volume in the initial launching phrase and recorded comparatively low sales in the first few months of new start up. Despite that, our Directors have evaluated that our future plan to expand retail floor area is feasible having regard to the following considerations:

The market for lighting products is projected to continue to further grow in the foreseeable future

According to the Ipsos Report, it is projected that the sales growth will pick up from 2014 to 2017 due to the expected growth in housing supply. The growth in the number of higher income household, the pursuit of higher living standard, and the increase in the housing supply are factors to support the growth of lighting industry. According to the Ipsos Report, another factor is that there will be an increase in lighting product retail prices due to the increased sales of LED lighting products and designer's lighting products in the market. It is estimated that sale of energy-saving lighting products shall make up over half of the Hong Kong lighting market by 2020.

Our Directors consider that our Group's positioning as the largest retail chain network with lighting products in Hong Kong and our strategic positioning with LED and designer label lighting products will confer us with advantages in capturing the anticipated further growth of the lighting product market, and grow our business over time through the establishment of additional retail floor area.

We have market growth potential with previously uncharted retail districts in Hong Kong

According to the Ipsos Report, we are the largest lighting specialty retailer in Hong Kong in 2013 attributing a market share of total lighting product retail revenue of approximately 12.1%. As the market share in Hong Kong not already captured and potentially exploitable by ourselves make up for more than 87% in terms of market share, our Directors consider that there is still bounteous latitude for future growth of our business through expansion of retail floor area. Currently our business is confined to our four existing retail zones of (i) Morrison Hill Road, Wanchai; (ii) Lockhart Road, Wanchai; (iii) Mongkok, Kowloon; and (iv) Shatin, New Territories. We have tentatively identified several districts in Hong Kong which are uncharted territories for ourselves such as Tsuen Wan for which we have evaluated to be potentially suitable for the implementation of our business model. We intend to establish new retail floor area in these previously uncharted retail districts and a majority proportion of our Listing proceeds will be applied to these ends.

We have demonstrated the feasibility of our approach to retail network expansion with our retail district of Shatin, New Territories. We opened our first retail outlet in Shatin in September 2011 and this retail zone grown within a timeframe of two years to become our second most important retail zone in terms of revenue contribution, and accounted for approximately 19.8% of our total sales revenue for the year ended 31 March 2014. Proven by our past success with retail network expansion, our Directors consider that we will also be capable of growing our business over time through the expansion of retail floor area in our targeted retail districts.

Our Directors believe that there is sufficient latitude for observation and adjustment to manage our future plan to expand retail floor area

As explained above, our future plan to expand retail floor area will be implemented over a period of two years, and we plan to establish a retail floor area of 1,000 sq.ft. for each of the six month period comprising this planned expansion timeframe in each regional location of (i) Hong Kong Island; (ii) Kowloon; and (iii) New Territories. As our additions to retail floor area will be made in different geographically diverse districts, having regard to the scale of initial addition of retail floor area of 1,000 sq.ft. for each retail zone as compared to the overall regional market share, we expect the addition of retail floor area in the respective targeted retail zone to be readily absorbable by the market in a timely manner.

As the planned addition of retail floor area will be made in phase over a timeframe of two years, we anticipate that there will be no excessive concentration of capital investment and associated market risk with any singleton retail zone. In addition, we will be afforded with sufficient time to observe the market response in the new retail zone and adjust our market strategy and product mix before proceeding to the establishment of further retail floor area in the same district or, alternatively, deploy our resources to the development of other retail zones.

We believe the break-even period involved in our future plan to expand retail floor area will continue to be manageable

We anticipate the lag time for achieving break-even position with our further expansion of retail floor area will be relatively manageable. As mentioned above, based on our experience with the opening of retail outlets in recent years, we anticipate that it will take approximately 3 months on average for a new retail outlet to achieve break-even position, in order that the new retail outlet will be able to generate sufficient sales revenue to cover its recurrent operating cost. Our Directors believe we have sufficient financial resources to conveniently pass through the intervening initial business start-up phrase for our future expansion of retail floor area, taking into account the anticipated enhancement of our capital base with the Listing proceeds.

The expansion of our retail floor area is in line with our business strategy to solicit new incoming brands

The expansion of our retail floor area will become an accelerator of momentum to our soliciting of new incoming international brands of promising potential with the Hong Kong market, details of which are set out below, by virtue of the sales capacity we stand to boost for the new incoming brands and labels. The successful Listing of our Group would also facilitate us in the solicitation of new incoming international brands to join our existing portfolio through the enhancement of its profile and transparency as a listed company. The new incoming global brands will further enlarge our product portfolio and enable us to offer to the market a wider variety of products, and we intend to do so through the display and retail sale of merchandising items of the new incoming brands and labels in our additional retail floor area.

We intend to strengthen the marketing and promotion of our own branding of trademarks and become the customer choice in Hong Kong for quality lighting and designer label products

We consider that with the general rise in our society's educational level and demand for quality of living, the general shift in consumer preference from commonplace and non-branded products to branded quality products will be the bedrock against future growth of our business. To capture the business opportunities from these market trends, we intend to launch a series of marketing campaigns to (i) principally promote our own branding of trademarks; (ii) underscore the benefits of high quality luminaries; and (iii) introduce our newly solicited global brands to the Hong Kong market.

These will include principally advertising in various media which may include newspapers, magazines, televisions and websites. In addition, we intend to disseminate marketing materials such as product leaflets, etc., to promote our products and broaden customers' awareness of the contribution brought by high quality and eco-friendly luminaries to quality of living. We believe that with the growth of our business over the past few years, we have established sufficient market share with the Hong Kong lighting product market to benefit from these marketing campaigns.

Through these marketing and promotional activities, we intend to broaden the general public awareness of our strategic market positioning and become one of the most recognised customers' choices in Hong Kong for quality lighting and designer label furniture products.

We intend to explore and solicit new incoming international brands and designer labels of potential and to diversify our product range

We position ourselves in the market as a distinguished brand manager and have proven expertise in managing brands and designer labels of international calibre. We are currently the non-exclusive designated or authorised distributor in Hong Kong of lighting and furniture products from over 30 international brands and designer labels. We intend to further capitalise on our brand management expertise to explore the profile of newly emerging brands in the international scene, in order to evaluate their potential with the local market environment and alliance with our strategic direction.

We shall solicit new brands for which we have evaluated to possess promising potential to join our existing portfolio. Our future business plan to amplify our retail network through the further expansion of retail floor area in Hong Kong will become an accelerator of momentum in these directions, by virtue of the sales capacity we stand to boost for the new incoming international brands and labels. Currently we are in the later stage of business appraisal and negotiation for the solicitation of the new incoming international brand of furniture products into our business portfolio. We consider these new incoming furniture labels will complement our existing KARTELL branded furniture products.

We aim to position ourselves to capture the flourishing LED market

We aim to position ourselves to capture the flourishing LED market. It is widely acknowledged that the advancing LED technology connects well with global themes of environmental protection and energy saving. We consider the change over from Incandescent Light Source to LED is an irreversible trend and is one of the primary drivers for future growth with the lighting business. The key advantages of LED based light source are high luminous efficiency and longevity over Incandescent Light Source.

LED is generally regarded as high-end products in comparison to traditional Incandescent Light Bulbs. We consider the prevailing market positioning of LED generally accords with our specialty and general merchandising profile. We have assembled our product portfolio in order that the majority of the lighting appliance products we carry to be LED compatible, and we have designated several of our existing retail stores as LED specialty stores which primarily showcase our LED lighting appliance products.

We intend to further strengthen and consolidate our positioning as LED specialist in the market, including (i) expanding our LED specialty store retail floor area; (ii) the monitoring of government policies on replacement of Incandescent Light Bulbs with LED; and (iii) expanding our LED product range. Further details of these pursuits are as follows:

- ***Expansion of LED specialty store retail floor area***

  We intend to expand our retail floor area for LED specialty stores by 4,000 sq. ft. (in additional to our existing aggregate gross retail floor area for LED specialty stores of 4,613 sq.ft.) during the period from the Latest Practicable Date to 30 September 2016. The regional distribution of our planned additions to LED specialty store retail floor area are set out in the above table under the paragraph headed "Our strategies and future prospect — We shall expand our retail floor area in Hong Kong to further bolster our sales capacity and capture increasing market share" above.

- ***Monitoring of government policies on replacement of Incandescent Light Bulbs with LED***

  Since 2009, the governments of certain major developed countries including the United States, Canada, Australia and European Union have begun to introduce policies and schemes for the gradual replacement of Incandescent Light Sources with LED. In Hong Kong, the Government has accomplished the following recent milestones in these directions:

  (I) In August 2011, EMSD sought public consultation on the advisability (amongst other things) of the implementation of a mandatory scheme to limit the supply of energy-inefficient Incandescent Light Bulbs.

(II) In June 2013, the Environment Bureau of the Hong Kong Government and EMSD announced the "no Incandescent Light Bulbs" save energy charter (環境局「不要鎢絲燈泡」節能約章), in accordance to which suppliers and retailers participating in the scheme on a voluntary basis shall commit to (i) cease replenishing inventories of Incandescent Light Bulbs; and (ii) cease the sale of specific Incandescent Light Sources beginning 31 December 2013.

We will monitor the future development of government policies on replacement of Incandescent Light Bulbs with LED, and identify any business opportunities from these new developments with government policies.

We are aware that currently there are debate and discussion about a number of issues surrounding the implementation of further LED policies in Hong Kong, including (i) public health hazards involved with toxic substances releases with the mercury content of LED light bulbs; and (ii) concrete protocols over the disposal and recycle of retired LED light bulbs in an environmental friendly manner. The eventual outcome of these and other pending LED issues is uncertain and may negatively affect future prospect of LED products within the Hong Kong market.

- ***Expand our LED product range***

  We have a strategic focus on PANASONIC LED products. To the best of our knowledge and understanding, as a strategic direction of PANASONIC to re-positioning itself with LED environment-friendly products, PANASONIC began in 2013 to gradually phase out or downsize its existing product range of Fluorescent Lamps which is to be replaced by LED Light Fitting products.

  The recent PANASONIC product catalogue available to us listed a total of no less than 2,500 LED products that are in the process of being gradually introduced to the global market. Of these, based on our understanding obtained from close involvement with PANASONIC LED products, approximately 200 to 300 new products are expected to be introduced to the Hong Kong market over the forthcoming few years.

  We intend to select from the new product launch of PANASONIC LED models for which we evaluate to have promising potential based on our assessment of the local Hong Kong market environment to expand our LED product range.

We intend to enhance our logistic management, including the procurement of additional warehousing facilities in Hong Kong

We believe that the implementation of an efficient logistic management system is an important factor to success with retail merchandising. As we expand our operations through the planned additions to our retail floor area, we anticipate that increasing demands will be placed on our logistic management system.

We currently operate one centralised warehouse of approximately 15,200 sq.ft. by area in the Aberdeen district, Hong Kong Island. We are planning to procure additional warehousing facilities of approximately 15,000 sq.ft. by area in Hong Kong on an operating lease basis to accommodate the demands of our expanding operations. In addition, we intend to upgrade our management information system for point-of-sales monitoring of inventory levels.

We anticipate that these pursuits will enhance our operational efficiencies in (i) the sourcing of products from suppliers; and (ii) the distribution of merchandising items throughout our retail network, which in turn will enable us to maintain an optimal level of inventory and benefit from efficient stock replenishment and cost savings.

SALES AND MARKETING

Our retail network

We currently operate a total of 17 retail outlets which are exclusively in Hong Kong under various trade names of E LIGHTING, E DESIGN, E COLLECTION, MANHATTAN LIGHTING, EUROLUX, METROPOLIS and ELEMENT LIGHTING DESIGN. We strategically select favourable districts and locations in Hong Kong which are suitable for implementation of our business models and assemble a made-to-measure product portfolio for each retail outlet based on our assessment of the customer profile and buying behaviour of the region. Set out below are the distributions of their location, approximate gross floor area and expiry of contracted lease terms as at the Latest Practicable Date:

			Approximate gross floor area (sq.ft.)	Expiry of lease
Morrison Hill Road, Wanchai, Hong Kong Island				
1.	E LIGHTING	Flat A1 and A2 on the ground floor of Lai Shan Mansion, 19–21 Morrison Hill Road and 1 Sharp Street West	1,200	31 August 2016
2.	ELEMENT LIGHTING DESIGN	Ground floor together with the open yard abutting and adjacent thereto, No. 48 Morrison Hill Road	2,800	6 May 2015

			Approximate gross floor area (sq.ft.)	Expiry of lease
3.	E DESIGN	Ground Floor (including the Cockloft therein), No. 54 Morrison Hill Road	2,200	14 July 2015
4.	EUROLUX	Shop on G/F & Cockloft, No. 56 Morrison Hill Road	2,900	31 July 2015
5.	MANHATTAN LIGHTING	Shop B2 on ground floor of Morrison Building, No. 20–30 Morrison Hill Road	2,200	15 October 2014
6.	METROPOLIS	Shop A on the ground floor, Tak On Mansion, Nos. 32–34, Morrison Hill Road	2,000	31 July 2016
7.	E LIGHTING	Shop A on G/F, 1/F and 2/F of Amber Commercial Building, Nos. 70–74 Morrison Hill Road	1,800	2 May 2015
8.	E LIGHTING	Ground floor and first floor of Tiffan Tower, 197–199 Wanchai Road, Wanchai	4,942	30 April 2015
9.	E LIGHTING	Shop B1 on ground floor of Morrison Building, No. 20–30 Morrison Hill Road	2,000	30 April 2017
Lockhart Road, Wanchai, Hong Kong Island				
10.	E LIGHTING	Shop No. B1 on ground floor of Sam Yuen Mansion, Nos. 21, 23, 27 and 29 Fleming Road and Nos. 204–210 Lockhart Road	300	14 March 2015
11.	E LIGHTING	Shop No. A2 on ground floor of Sam Yuen Mansion, Nos. 21, 23, 27 and 29 Fleming Road and Nos. 204–210 Lockhart Road	300	15 July 2015
12.	E LIGHTING	Ground floor of No. 311 Lockhart Road	600	31 January 2016
Mongkok, Kowloon				
13.	ELEMENT LIGHTING DESIGN	Ground floor, No. 629, Shanghai Street, Mongkok	1,300	31 March 2016
14.	E LIGHTING	Shop A, ground floor and yard thereof Mandarin Court, Nos. 647, 647A, 649 and 651, Shanghai Street, Mongkok	1,335	31 August 2016
Shatin, New Territories				
15.	KARTELL AT E COLLECTION	Shop No. 103 on level 1 of 138 Shatin Rural Committee Road, Shatin	719	17 July 2016
16.	E LIGHTING	Shop No. 335 on level 3 of 138 Shatin Rural Committee Road, Shatin	1,204	30 September 2015

		Approximate gross floor area (sq.ft.)	Expiry of lease
17. PANASONIC LED AT 228	Shop No. 345 on level 3 of 138 Shatin Rural Committee Road, Shatin	713	13 February 2017

We presently do not have other sales making arrangement or distribution channels apart from our own retail chain networks.

As indicated in the foregoing summary, the gross floor area of our individual retail outlets ranges from approximately 300 sq.ft. to approximately 4,942 sq.ft.

The following table presents an analysis of the additions and closure of retail stores during the Track Record Period and subsequent thereto, up to the Latest Practicable Date:

	As at the beginning of the Track Record Period	Additions/ (closure) for the year ended 31 March 2013	Additions/ (closure) for the year ended 31 March 2014	Additions/ (closure) subsequent to the Track Record Period	As at the Latest Practicable Date
Hong Kong Island					
— Lighting stores	5	—	(1)	—	4
— Lighting and furniture combined stores	2	1	—	1	4
— LED speciality stores	1	2	1	—	4
Kowloon Peninsula					
— Lighting stores	1	—	—	—	1
— Lighting and furniture combined stores	—	—	1	—	1
— LED speciality stores	—	—	—	—	—
New Territories					
— Lighting stores	—	1	—	—	1
— Lighting and furniture combined stores	1	—	—	—	1
— LED speciality stores	—	—	1	—	1
Total	10	4	2	1	17

Other than presented in the foregoing table analysis, there was no opening and closure of retail outlets during the Track Record Period and up to the Latest Practicable Date.

Retail outlet under closure

During the Track Record Period, we closed one of our retail outlets. Particulars of the retail outlet under closure are as follows:

Store branding	Address	Date of closure
E COLLECTION	Shop B on the ground floor of EIB Tower, No. 4–6 Morrison Hill Road	October 2013

The retail outlet under closure was situated in our clustering retail zone in Morrison Hill Road, and was principally engaged in the sale of KARTELL products. We closed this retail outlet because during the year ended 31 March 2013, we opened a new retail outlet of larger area in the same clustering retail zone in Morrison Hill Road, with a whole floor area of this new retail outlet being dedicated to the sale of KARTELL products. As such, we consider we no longer need this retail outlet under closure. As we have 9 other existing retail outlets in the same area, we consider the closure of this retail outlet has no overall material adverse implication to our business.

Retail outlet designation

The above enlisted retail stores no. 7 and 17 have been designated by Shun Hing Electric Works & Engineering Co., Ltd., the authorised wholesaler of PANASONIC products in Hong Kong, as PANASONIC LED concept shops in Hong Kong. These retail stores serve their dual functions as being both retail outlets for making sales and also showrooms for showcasing PANASONIC LED lighting products.

The above enlisted retail store no. 15 is a KARTELL mono-branded store where we make retail sales of exclusively KARTELL products.

Siting of retail outlet

Out of the existing 17 retail outlets that we operate, 9 of which are strategically sited within close vicinity of one another in Morrison Hill Road, Wanchai as a cluster to generate a consolidation effect that promote customer awareness and traffic for the area. Further details of our outstanding retail business approach are set out in the paragraph headed "Our business model — The clustering retail business approach" above.

Our three retail outlets in Shatin, New Territories are the only retail outlets that are situated within a shopping mall and the rest of our retail outlets are situated alongside pedestrian pavement and sidewalk. We have evaluated that the siting of our retail outlets in shopping arcades is not our foremost priority of concern having regard to the nature of our business model.

Salesmen as retail outlet attendants

The number and experience of salesmen allocated to each retail outlet are determined by our management, depending on different factors including the size of the outlets and transaction volume of the respective retail outlet. Induction sessions on product knowledge and customer service skills are offered to salesman upon newly joining our Group. For each of our above categorised principal retail zone of (i) Morrison Hill Road, Wanchai; (ii) Lockhart Road, Wanchai; (iii) Mongkok; and (iv) Shatin, we have one or more sales managers principally responsible for overseeing the daily operation of the retail outlets in the respective zone. For cash sales made in our retail outlets, the salesman making the sales transaction collects the cash proceeds from customers, which are deposited into our bank accounts on a timely basis, other than those previously repaid as settlement against current account balance due to Mr. Hui, the details of which are set out in the paragraph headed "Sales and marketing — cash management" under this section.

Customers

Our sales are made on a retail basis through our retail network exclusively in Hong Kong and we do not conduct any export sales. As our business model is multi-layered and we offer our customers a wide selection of lighting products ranging from commonplace ceiling lamps to premium designer label Luminaires, we believe our customers come from all walks of life and we do not target customer groups of any particular sex, age or income range. Nevertheless, customers coming from middle-class to upscale social circles with higher disposable income are of strategic importance to us, as these are the customers principally buying our premium branding and designer label products which are the backbone to our branding profile. Accordingly, we have dedicated more of our resources accordingly to meet their requirements.

Customers of our retail chain business are predominantly individual members of the public who typically pay for the merchandising purchase at our retail outlets by cash or credit cards at the time of sale transactions. We believe most of our sales to public customers are non-recurrent, as we understand most public customers will purchase lighting products only once every few years due to the product nature.

We also make retail sales of lighting appliance products and accessories for commercial and architectural application. Customers for these products are mainly architects and contractors for building construction works. Purchases from these customers may be made in small batches with higher denomination of sales value. We generally grant credit terms of 30 days from invoice day for these sales.

Retail sales are invoiced and settled in Hong Kong dollar. Having regard to the nature of merchandising sales on spot, we typically do not enter into sales agreement with our retail customers. Our customers are generally required to pay an upfront deposit of not less than 50% of the full sales invoice value for sales order, and settle the remaining balance no later than upon delivery of the merchandise items. Most of our customers settle the full sales invoice value on the spot and either takes immediate self-delivery, or our attending salesman will make arrangement for the delivery of the products to their specified address on a pre-appointed date. Usual terms and conditions of merchandising sales including payment terms are set out as notes to the commercial invoices. We normally sub-contract to certain third parties the transportations involved with the physical deliveries of the products to our customers.

Besides product items displayed in our retail outlets, we have a policy of allowing our customers to choose from available products listed on the product catalogue of the brand owners and designer labels for which we are the authorised distributor in Hong Kong. In respect of customer request for these listed products items for which we do not keep inventory hoarding, these may have to be specifically ordered from the overseas branded suppliers. In such instances, the turnaround time taking into account international flight may typically take up to 45 to 90 days.

For the years ended 31 March 2013 and 2014, sales to our largest customer accounted for approximately 1.6% and 0.5%, while sales to our 5 largest customers in aggregate accounted for approximately 4.2% and 1.9% of our total turnover, respectively. All of our 5 largest customers are Independent Third Parties.

Product Pricing

We have a uniform product price list which is applied across our retail chain network and to be followed by our attendant salesmen with each of our retail outlets.

Certain of our major suppliers impose uniform pricing policies across different distributors, and in these events our uniform product price list reflects the suggested product pricing from these suppliers. These uniform pricing policies from suppliers normally assume the schema of a suggested price list which fellow distributors are expected or recommended to follow. We are aware that such uniform pricing policies also apply to other carriers and competitors in Hong Kong of these branded products such as concessionary counters with certain department stores.

Although we are not contractually bound by these uniform pricing policies, we consider it is in our best interests to observe these pricing terms, as the outright violation of such pricing policies may lead to possible termination of trading relationship by the suppliers.

These suppliers of uniform pricing include:

- PANASONIC;
- ARTEMIDE;
- KARTELL;
- TOM DIXON; and

- MEGAMAN

For these suppliers with uniform pricing policies, we as an authorised distributor may concede with bargain from the customers to offer them with limited sales discount to the specified tag price, but it is expected that we may not modify the tag price without prior consent from the suppliers. To the best of our knowledge, we have not received any disputes or complaints from our suppliers in relation to our pricing of their products in the past.

We generally exercise more self-discretionary control over pricing of products other than from the above named suppliers. We determine the appropriate pricing for these other products with regard to our assessment of the consumer spending behaviour for these products and prevailing prices of similar products offered by our competitors. In so doing, we value the feedback and input from our sales team members who are closely involved with making sales of these products through daily dealings with our customers.

We exercise control over sales discount granted to customers by our salesmen for all of our products, by which if the discount requested by our customers is greater than a pre-approved rate, additional approval from the management is required. The granting of sales discount to customers is at our sole discretion, and our salesmen may determine the amount of sales discount on a transaction by transaction basis with regard to the bargain and negotiation from customers.

Installation services for lighting appliance products

For the majority of our residential lighting appliance products sales, upon request by our customers, we provide the related electrical installation works at our customers' premises including mainly wiring installations for Light Fittings. We generally outsource these electrical installation works to certain Registered Electrical Contractors, who are Independent Third Parties, to ensure that such work is carried out only by qualified electrical workers to the required standard of safety. We generally request, but it is not compulsory, for our customers to sign on the product delivery and installation note which accompany the physical delivery of the merchandise item as acknowledgement of installation services having been satisfactorily performed by the third party Registered Electrical Contractors.

A nominal service charge is added on to the product price for the provisioning of installation services for residential lighting appliance products on request by customers. In turn, we paid an outsourcing charge of substantially the same amount to the electrical contractors who performed the installation works on our behalf. We also have our in-house Registered Electrical Worker to avail us with additional capacity to carry out residential lighting installation services for our customers as and when circumstances render it necessary.

We currently do not provide installation services for commercial and architectural lighting and have no plans to do so.

Product life cycles

We select from the brand owners' full catalogue list of available products to assemble our product portfolio based on our assessment of local market demands. In so doing, we place heavy reliance on our past sales experience of similar classes of products. The final decisions are made by Mr. Hui who by virtue of his close involvement with the branded suppliers is attuned to the market demands and emerging products trends. Based on our Directors' experience, sales of the more stable models accounted for the majority proportion of our Company's turnover.

We leverage on the extensive number of our retail outlets by designating specific shops to carry small samples of the new designs selected by us and testing out the market response before proceeding to commercial scale ordering. As such we are able to capitalise on these retail outlets as launch pad for new releases with controlled business risk exposure. We have not encountered any past incident of product obsolescence of materiality during the Track Record Period.

Commonplace Light Fittings and lighting appliance products

Commonplace Light Fittings products of versatile and universal applications generally undergo few technological innovations and have a long product life cycle. As far as our Directors are aware, certain of these products such as wall mounted Light Fittings have been around in the market for decades. Our Directors understand that frequent and sometimes yearly changes may be made to external appearance with certain of these products, such as new styles and colour print to generate market novelty but the same basic design architect remains.

Professional luminaries and designer label products

Our portfolio of designer label products principally includes best-selling, stable models which generally enjoy a longer product life cycle. These models are selected by us based on our assessment of local market environment and proven past sales history. Examples of some of these long selling models include the popular Louis and Victoria editions of the famous KARTELL Ghost Chairs which were claimed to have sold over 1.5 million pieces worldwide since its inception in 2002. Our Directors understand that for these long selling models, changes may be made every few years to various incarnations to refresh the same basic design architect.

Besides the best-selling stable models, we also selectively carry small quantities of new releases of the designer labels that complement our overall product profile. New product design releases to the market are made almost every year. We select from the new releases designs that we judged to have promising potential based on our assessment of the local market environment.

Seasonal sales pattern

We believe a significant proportion of the sale of our lighting appliance products is made to public customers undergoing renovation or relocation with their accommodation. As such, our business is affected by the general prevailing market sentiment with the Hong Kong property market. Hong Kong Government housing policies, property price level and energy saving policies are other long range factors which could potentially affect our business.

Usually more sales are made in the second half of the calendar year, as our Directors believe there are more home renovations being undertaken around the end of the year in order to complete the furnishing of the newly renovated flat before the Chinese Lunar New Year. Sales generally drop after Chinese Lunar New Year. Sales of designer label products are also generally better in second half of the year as it is around these times when new products are released. We consider these sales fluctuations are nevertheless of secondary importance to the financial performance of our business, as the financial effect involved is insignificant to our overall business operation.

Marketing and promotional activities

We have our own sales team which comprise salesmen and we consider our past sales staff turnover has been generally low. As at the Latest Practicable Date, our sales team comprised of 33 staff. Induction sessions on product knowledge are offered to salesmen upon newly joining ourselves. Performance-linked sales commission at a certain percentage to invoiced value of goods sold is offered to the sales staff on a monthly basis in order to enhance their sales performance incentive.

We furnish our retail outlets with promotional materials including our retail outlets' displays and decorations, lucid logos and light-box, which are strategically spotted on prominent sites to enhance visibility.

Mr. Chou oversees the actual daily business operations and sales management of individual retail outlets.

Other than promotional display at our retail outlets, we typically do not carry on advertising or other active promotional activities in the past, as our retail stores are mainly concentrated in clusters in Morrison Hill Road, Wanchai, which when added to the other lighting product stores owned by other competitors in the area, generate a consolidation effect to promote the area as being a primary locus for lighting appliance products. As such, in the past we considered active promotional activities would add few additional benefits. We choose to focus on the strategic positioning of our retail outlets and point-of-sale display as these activities complement the sales-making capacity of our retail chain network, and we consider our efforts are more effectively dedicated to these pursuits.

With the expansion of our business outside of Morrison Hill Road, in recent years we have engaged in more promotional activities on a limited scale, including our collaboration in 2012 with the landlord of a shopping mall in Shatin, New Territories, where our KARTELL mono-branded store is located, whereby coupons to redeem or purchase KARTELL products in our store at discounted prices were granted to customers of the shopping mall who have spent in the shopping mall of not less than certain minimum designated amount. We intend to launch increasing active marketing and promotional activities to promote our own branding in the future. Please refer to the sub-section headed "Our strategies and future prospect" under this section for further details of these marketing and promotional activities.

Certain of our suppliers have guidelines for us on the manner of display of their products, and their own design team may design and furnish us with their own promotional materials such as stickers, brand tags and posters for display in our retail outlets. Pre-approval should be sought where we intend to print and disseminate our own pamphlet and promotional materials using their brand names or presenting their products. The business managers of these suppliers pay interim visits to our retail outlets to monitor our adherence to their guidelines.

Save for product display guidelines from the brand owners and designer labels, we are normally not under any requisite to undertake other marketing activities for the branded products we carry, since we are not the sole distributor of these products.

Certain of our suppliers and brand owners for products like PANASONIC have their own advertisement in newspaper and magazine. Brand owners of international calibre like KARTELL and ARTEMIDE typically prefer to exercise their own discretion and control over the marketing and promotion of their products, as these activities affect the sensitive image projected of their designer labels. As such, they craft their own promotional activities such as advertisements in magazines and showcasing their new designs in high-end international trade exhibitions and fairs. The cost of these marketing and promotional activities carried on by the brand owners are not passed on to ourselves.

Product returns, after-sale-service and maintenance, product warranty

We as a retail chain operator generally do not have obligations to provide after-sale-service, maintenance and product warranty by ourselves. These undertakings are generally rendered by the suppliers, or manufacturers of the underlying products. Nevertheless, to cater for the satisfaction of our customers, our in-house qualified electrical workers generally perform repair works with simple defects found with our customers' new product purchases upon customers' request. Where the expertise for rectifying the defects does not vest with ourselves, we normally replace for our customers the defective item for another replacement item.

The profile of the merchandising items we carry are quality products in their respective chosen fields. Sales return and product defect rates have been low in the past. To the best of our knowledge, certain of our major suppliers for lighting products have internally reported of very low defect rate with their own products. Having regard to product nature, we believe product areas which more easily lent themselves to defects relate mainly to malfunctioning electronic circuits with lighting products.

We normally do not accept sales return except for malfunctions and manufacturing defects with our products. The defective products are returned to our suppliers for repair or replacement. Sales return other than for the reasons of defects, mainly because customers changed their minds for another of our product, is granted on a discretionary basis having regard to the product and packaging condition. In the past, we have granted concessions to product return from customers in order to promote favourable relation and goodwill with our customers.

Sales return for the Track Record Period is insignificant and are mainly in respect of customers who changed their mind after the initial purchase for another product.

Certain of our suppliers have the customary practice for customers to return the defective products directly to them and in these instances the defective products do not go through us.

Lighting appliance products and luminaries

For lighting appliance products and luminaries, after-sales-service, maintenance and product warranty are provided by certain of our suppliers. The arrangement for the provisioning through our suppliers of these services to our customers varies according to customary practice of the underlying suppliers, whereby certain suppliers would deal with customer returns directly whereas certain other suppliers would have the customers returned the defective products through us.

The majority of our suppliers grants a warranty period of one year with replacement of defective parts or the defective products altogether. After-sales service upon expiry of warranty period will be charged by the suppliers. Cost of replacement parts and warranty servicing incurred by our suppliers do not pass on to us.

Designer label furniture and accessories

For designer label furniture and accessories, our suppliers typically grant a warranty period of one year. Merchandising items of KARTELL which form the preponderance of our designer label furniture merchandising business are mostly made of polycarbonate materials which are not easily broken. Defects with external appearance of these furniture products would have been spotted by the customers on site upon delivery.

While certain of our designer label furniture suppliers like KARTELL have a policy of pre-authorised return by customers within a short period of delivery for refund or exchange of unsatisfactory merchandising items in original condition and packaging, according to the suppliers' claim procedures and prior acknowledgement of alleged defects, in practice few such incidences ensure because of the costly international return flight charges for these overseas brands. In such a case, we have to bear the cost for refund or exchange of the merchandising items for the customers.

We generally do not incur costs in relation to defective products, apart from staff cost incurred in liaising with suppliers and manufacturers for returning or rectifying the defective products. These costs incurred have been insignificant for the Track Record Period. If we chose not to return the defective product item to the supplier due to costly overseas return flight charges, we shall incur loss due to write-off of defective merchandising item.

Our senior retail shop managers are responsible for handling customer complaints with product defects. We have channels for the referring of customer complaints not satisfactorily resolved to our senior management.

Cash management

The majority of our sales are settled with credit cards and the remains are settled with bank cheques and cash payments. For the years ended 31 March 2013 and 2014, credit card sales accounted for approximately 71.2% and 71.1%, respectively, of our sales with the remaining proportions settled in bank cheques and cash. Customers are generally required to pay the full retail price no later than upon delivery of the products. Payment by our customers at our own retail outlets are handled by our retail outlet attendants of sales staff and cashier. As common with the retail business, we implement tight controls over the unauthorised access to cash proceeds and improper handling of cash pooling.

As Mr. Hui has been personally financing the operations of our Group pursuant to his role as our Group's managing director and a Controlling Shareholder, an outstanding amount was due by our Group to Mr. Hui for business funding advanced to our Group. The cash sales proceeds collected from our retail outlets were repaid to Mr. Hui to partially settle against amounts owing to Mr. Hui by our Group (the "**Settlement Arrangement**"). The Settlement Arrangement and its related internal control measures commenced since the incorporation of Central Sky in October 2003 and had ceased as at 2 December 2013 (the "**Settlement Period**").

Under the Settlement Arrangement, when customers made their payment for purchases in cash, the salesperson collected the cash sales proceeds from the customers and the cash sales proceeds were locked in a drawer in the shop, with the key kept by the shop manager of each individual retail store. The shop manager of each individual retail store was responsible for the safe custody of the cash sales proceeds and preparation of a summary of cash sales transactions (the "**Summary**") on a shop-by-shop basis, which served the purpose of documenting all daily cash sales transactions.

Our Group's accountant together with Mr. Hui regularly visited each retail store on a weekly basis for collection of such cash sales proceeds. The procedures involved in the handling of the cash sales proceeds are as follows:

(1) The accountant checked the Summary and the amount of cash sales proceeds enlisted therein against sales invoice copies underlying the involved transactions and maintained by individual retail outlets.

(2) Miscellaneous expenses incurred by each individual retail store were usually first paid by shop managers on behalf of our Group and reimbursed on a weekly basis. The accountant cross-checked the reimbursement forms submitted by the shop managers against underlying supporting claim documents such as supplier invoices. Mr. Hui secondarily verified the claim amount in reimbursement forms against supporting claim documents and endorsed the reimbursement forms by signing on it.

(3) Based on the approved reimbursement forms, the accountant reimbursed the claim amount to the shop managers by using cash sales proceeds collected by the shops and then recorded the reimbursed amount in the Summary.

(4) The accountant, who checked the outstanding balance due by our Group to Mr. Hui before the shop visits, passed all the net cash sales proceeds (after deduction of reimbursement), or part of the net proceeds if the net cash sales proceeds exceeded the outstanding amount due by our Group to Mr. Hui, to Mr. Hui as the settlement of amount due by our Group to him. Thereafter, Mr. Hui approved the Summary and signed on the Summary to acknowledge the receipt of cash proceeds passed to him as repayment of our Group's outstanding indebtedness owed to him. The remaining cash sales proceeds (if the net cash sales proceeds exceeded the outstanding balance due by our Group to Mr. Hui), if any, were deposited to our Group's bank account by the accountant.

The above procedures (1) to (4) were conducted concurrently during the shop visits by our Group's accountant and Mr. Hui.

(5) Based on the Summary, the accountant prepared the relevant serially numbered vouchers for cash sales, reimbursement of expenses and settlement of amount due from us to Mr. Hui. Mr. Hui checked and approved those vouchers before the accountant's posting them into the accounting system to record the transactions involved.

During the Track Record Period (up to the end of the Settlement Period), all the cash sales proceeds, net of the miscellaneous expenses reimbursed to shop managers of our Group's retail stores as mentioned above, were paid to Mr. Hui as the amount due by our Group to Mr. Hui had been larger than the amount of the net cash sales proceeds. The cash payment to Mr. Hui under the Settlement Arrangement amounted to approximately HK$5.9 million and HK$4.6

million during the years ended 31 March 2013 and 2014, respectively. All outstanding current account balance with Mr. Hui has been cleared as at the Latest Practicable Date. Please refer to note 17 to the Accountants' Report, as set out in Appendix I to this prospectus for further details on terms of the previously outstanding balance due to Mr. Hui.

The coming into effect of the Settlement Arrangement was primarily because the majority of our sales were settled with credit cards and the daily cash proceeds collected from each individual retail outlet in each transaction underlying the Settlement Arrangement is insignificant to our overall operation. For each of the year ended 31 March 2013 and 2014, credit card sales accounted for more than 70% of our total sales. As such, the Settlement Arrangement simplified our administrative proceedings in daily cash handling without subjecting ourselves to material exposure of cash misappropriation. The previous concentration and the close vicinity of the retail outlets situated in our clustering retail zone in Morrison Hill Road, Wanchai facilitated us in the implementation of the Settlement Arrangement, as the procedures involved could be completed in a single visit by Mr. Hui and the accountant to all the retail outlets located in the region. Prior to the Listing, our Group as privately owned entities was ultimately controlled by Mr. Hui who was also closely involved in the daily operation of our Group's business. By virtue of the alignment of Mr. Hui's financial interests in our Group's welfare, we believe the previously close involvement of Mr. Hui in our Group's cash sales proceeds under the Settlement Arrangement does not encompass any material incidence of an unwarranted nature.

Our Group adopted certain internal control measures to record these transactions during the Settlement Period, as follows:

(1) All cash sales proceeds were collected by the individual retail outlets and under the custody of the responsible shop manager which effectively precluded unwarranted personal handing by other personnel.

(2) The Summary, which was prepared by the shop manager of each individual retail store on a shop-by-shop basis and verified by our accountant and Mr. Hui, served the purpose of documenting all daily cash sales transactions. Any misappropriation of cash pool would be revealed and uncovered by being shown up as un-reconcilable items of shortfall of cash pool against the Summary.

(3) Shop managers were required to file a reimbursement form for any claims of expenditure paid by them on behalf of our Group. Our Group's accountant would review and Mr. Hui would approve the reimbursement form.

(4) Any cash sales proceeds collected by individual retail store and reimbursed to the shop manager/passed to Mr. Hui as repayment of indebtedness owed to him were recorded in the Summary. Mr. Hui was required to sign on the Summary as evidence of repayment having been made to him.

(5) All cash settlement transactions to Mr. Hui and shop managers were recorded in serially numbered vouchers prepared by our Group's accountant and approved by Mr. Hui and thereafter posted into the accounting records and ledgers.

Subsequent to the Settlement Period, all cash sales proceeds are deposited directly into the banks before the close of next business day and our account department would check the cash sales proceeds against sales invoices and bank records on a timely basis.

Our Group adopts certain internal control measures to record these transactions subsequent to the Settlement Period:

(1) The shop manager of each individual retail store is responsible for the custody of cash sales proceeds and deposit of cash sales proceeds to our Group's bank accounts before the close of next business day. The relevant salesperson prepares on a daily basis a report of daily sales transactions on a shop-by-shop basis, which serves the purpose of documenting all daily sales transactions ("**Daily Sales Report**"). The Daily Sales Report was reviewed and approved by the responsible shop manager.

(2) The Daily Sales Report together with the supporting documents (including the bank deposit slip) are passed to account department on each alternative working day. Our Group's accounting clerks would check and reconcile our cash sales proceeds against Daily Sales Report, sales invoices and bank records on a timely basis. The accountant and the financial controller would review the Daily Sales Report on a timely basis.

Through our internal control system, we monitor and keep track of our cash proceeds against the records of deposit of cash from the bank. We have not encountered any major past incidences of staff embezzlement and any significant loss of cash by theft or robbery.

Based on its review, our Internal Control Adviser (details of which are set out in the paragraph headed "Internal Control" of this section) is of the view that the design of our Group's current internal control measures relating to cash sales proceeds are adequate and effective as of the date of this prospectus. In view of the above, we are of the opinion that our Group's existing internal control measures on cash management are adequate and effective in safeguarding our cash resources going forward.

In order for our reporting accountants to satisfy that appropriate cash sales transactions management was conducted by our Group during the Settlement Period, procedures considered necessary were performed, including (a) obtained an understanding of our Group and its environment; (b) walkthrough the operation of cash sales transactions management; and (c) designed appropriate substantive procedures on the cash sales transactions management. Our reporting accountants have performed among other things, the following substantive procedures on a sampling basis:

- Traced samples of cash sales transactions from the Summary prepared by shop managers and checked against relevant sales invoices and matched the details of the amount, description and quantities to the Summary to ensure cash sales transactions were properly recorded in the Summary. Checked proper posting of cash sales transactions in the Summary to accounting ledger during the Track Record Period (up to the end of the Settlement Period);

- Traced samples of reimbursement expenses claimed by shop managers in the Summary to relevant supporting documents. Checked proper posting of reimbursement expenses to accounting ledger during the Track Record Period (up to the end of the Settlement Period);

- Checked samples of cash sales proceeds in the Summary with signature of Mr. Hui as an acknowledgement of receipt of cash. Checked proper posting of the cash sales proceeds received by Mr. Hui to accounting ledger during the Track Record Period (up to the end of the Settlement Period); and

- Traced samples of cash sales transactions selected from sales register from finance department and reconciled to respective amounts in accounting ledger. The selected samples of cash sales transactions were checked against with relevant sales invoices and the Summary for matching the details of the amount, description and quantities.

Similar audit procedures have been conducted by our reporting accountants for the remaining period of the Track Record Period (after the Settlement Period). Based on the result of the abovementioned audit procedures, our reporting accountants are of the view that the cash sales transaction was properly reflected in our Group's combined financial statements and our reporting accountants has not come across any circumstances and indications which would have suggested cash misappropriation having taken place during the Track Record Period (which covers part of the Settlement Period).

DESIGN, RESEARCH AND DEVELOPMENT

We, as a retail chain operator, generally do not undertake our own product design, research and development. We consider these activities are best left to our suppliers who generally have better resources, talents and dedications than ourselves with these pursuits. Our executive Director, Mr. Hui, through his close working relationship with the brand owners and designer labels, may offer solicited feedback on their product designs, but such incidences have been kept mostly discreet as designers of international calibre often crave discretion and autonomy with their creative vision. Lower-end suppliers may seek input from us from time to time for feedback on the sales and design of their products. The eventual decisions with product designs remain with these suppliers.

QUALITY CONTROL

Our foremost frontier in safeguarding product quality lies with the selection and assembling of an appropriate branding profile. The profiles of the merchandising items we carry are quality products in their respective chosen fields, including international brands and designer labels assured of high quality. For example ARTEMIDE, our main supplier for professional luminaries is, according to its website, an ISO 9001 certified manufacturer.

We place strong emphasis on the quality of products we carry and adhere to the following principles:

- we only buy from suppliers and manufacturers for whose products we have evaluated to be of high quality. All incoming brands and designer labels are personally reviewed, monitored and pre-approved by Mr. Hui before commencing merchandising dealings;

- our centralised warehouse and, where the products are delivered directly to a retail outlet, the store attendants shall perform sample inspections upon receipt of delivery of the merchandising item including the appearance, packaging, specifications and brand logos;

- before the merchandising item is displayed on our retail outlet shelves, our sales staffs inspect any imperfections with the external appearance of the display item;

- any items with defects detected are normally returned to the supplier for replacement, or written off if we chose not to return to the supplier due to costly overseas return flight charges. We have a policy of follow up assessment if we identify major issues of product quality; and

- at the time of installation of residential Light Fittings for our customers, we generally outsource these electrical installation works to Registered Electrical Contractors to ensure that such work is carried out only by qualified electrical workers to the required standard of safety. Detection check of proper wiring is made at the time of installation for any shorting of the electrical circuit.

SAFETY REQUIREMENTS FOR ELECTRICAL LIGHTING PRODUCTS

Safety requirement for household electrical products in Hong Kong

The lighting appliance products distributed by ourselves are principally a class of household electrical products. At present, Hong Kong does not have provisions for advance approval of the safety of household electrical products before they can be sold in Hong Kong, but suppliers and importers of household electrical products in Hong Kong must ensure that their products comply with the relevant safety requirements of the Regulation made under

Section 59 of the EO, which requires that these products shall comply with the applicable safety requirements and certificates of safety compliance have been issued in respect of these products.

Please refer to the paragraph headed "Regulatory Overview — Electrical Products (Safety) Regulations" of this prospectus for further details.

A significant proportion of our lighting appliance products carried by ourselves are manufactured in European countries. We also carry to a lesser extent lighting appliance products manufactured in the PRC. These products are manufactured principally according to the safety standards relevant in the respective country of origin, such as the EN Standard and CE Marking for European made products, and GB Standards and CCC for PRC made products. These safety standards however may or may not be directly acceptable to EMSD as ensuring compliance with the safety requirements in Hong Kong.

In our sourcing of lighting products from European and PRC manufacturers, we place emphasis on selecting our suppliers with focus on manufacturing products for export to overseas countries which generally comply with the requirements of the "IEC 60598 Luminaires". As such we do not anticipate major issues in producing acceptable certificates of safety compliance when requested by EMSD.

Consequence of failure to observe the safety requirements required by the EO

The Regulation imposes criminal penalties for a breach of the safety requirements, and the Director of Electrical and Mechanical Services has the power to serve a recall notice requiring the supplier to make announcement and place advertisement to publicise of any hazardous defects in the electrical products supplied and to accept return of such products and to refund the purchasers of any sum paid for the products subject to a condition that a receipt for the product is surrendered to the supplier. In addition, in accordance with the EO, a person who supplies an electrical product for which no certificate of safety compliance has been issued is liable to a fine of HK$10,000.

Inspection by EMSD during the Track Record Period and Non-compliance Incidents

During the Track Record Period, EMSD has paid visits to our retail outlets and requested inspection of relevant certificates of safety compliance for certain of our lighting products. In 4 incidents of these requests for inspection by EMSD, we were not able to produce the relevant certificates, test reports and declarations of 6 LED related products in aggregate to the satisfaction of EMSD. Declarations of conformity and test reports/certificates were produced to EMSD for inspection in every incident, but it was found that EMSD did not accept these declarations of conformity and test reports/certificates as acceptable documents of safety compliance under Section 29(1)(b) of EO. In general, the reason for non-acceptance was that

EMSD considered that the safety standards set out in the test reports/certificates were not the appropriate standards with which the subject products should be tested, or the test reports/certificates was not issued by a recognised certification body acceptable to EMSD.

Please refer to the paragraph headed "Regulatory and Legal Compliance — Material non-compliance incidents — Non-compliance with the EO" under this section for further details of these non-compliance incidents.

Except for the foregoing, for each of the other incidents of request by EMSD to inspect certificates of safety compliance for our lighting products during the Track Record Period, we have complied by producing to EMSD within the requested timeframe the relevant declaration of conformity as substantiated by relevant certificates and/or test reports.

PRODUCT LIABILITY

We select and assemble our branding profile with due regard to the quality exhibited by products of the underlying branded suppliers. The lighting products we carry generally comply with international safety standards such as CE Marking and IEC Standards, and is subject to our quality control procedures including sample inspection upon deliveries to our warehouse. We consider the chance of significant defects occurring in our product portfolio is generally low and the exposure to significant potential compensation claims from our customers is unlikely. During the Track Record Period, we have not encountered any incidence of customer complaints or product liability claims of materiality.

In view of the above, we have not taken out any product liability insurance policy in relation to the products we offer. To the best of our knowledge and understanding, it is not the industry norm to take out such product liability insurance policy. Please refer to the paragraph headed "Risk Factors — Risks relating to our business — We may be exposed to product liability and we do not maintain product liability insurance" of this prospectus for further details.

COUNTERFEIT PRODUCTS

We are aware of past incidences of alleged counterfeit copies of the branded products we carried. We are of the view that incentives for large scale counterfeit infringement with international designer labels and brands are curbed by legal action from these international brands.

We consider those incidences of alleged counterfeit copies not to have material impacts to our business. The profile of customers buying our products, which our Directors believe generally have a higher purchasing power, is at odds with those buying counterfeit copies. Certain of the best-selling designer label products we carry are also difficult to be copied to an equivalent quality standard profitably because of the prohibitive initial mould cost investment that entails.

PURCHASES AND SUPPLIERS

Inventory management

The extensive number of our retail outlets enables us to implement a systematic logistic approach to inventory management. We implement a centralised procurement function whereby purchasing orders with suppliers are principally placed by the operation manager or our executive Director. Certain individual retail outlets are allowed to make direct procurement from suppliers for purchase value below a specified level, mainly to entertain customers' request of specific products. The majority of our product purchases are delivered directly to our warehouse, with the exception mainly of order of small batches of lighting appliance products for a specific retail outlet and miscellaneous accessories for illuminative applications which may be delivered directly to our retail stores.

Based on our Directors' experience, we generally keep a larger inventory hoarding in our warehouse for the best-selling, stable models with proven sales history. Inventory hoarding for other models which have more occasional and intermittent sales pattern are kept at sparse level in individual retail outlet level for making display and direct merchandising sale to customers. Our customers may take immediate delivery of the displayed item. Store managers at individual retail outlets replenish inventory hoardings from the warehouse on an interim basis, as and when the inventory hoardings at retail outlets are being depleted and sold out. Individual retail outlets may keep larger inventory hoarding of accessories of handful size which sale in batches and do not take up space, such as LED light bulbs, etc.

Because lighting appliances and furniture products usually take up space, we normally keep few items for each respective product model at the individual retail outlets, mainly for making display and meeting the requirements of customers who pay the full retail price on spot and take immediate self-delivery. For customers who have paid the full product retail price in our retail outlets and ordered deliveries to be made to their specified address at pre-appointed dates, deliveries are made either directly from the warehouse or individual retail outlets depending on inventory availability at respective location.

The warehouse inventory level is reviewed and replenished from time to time. The quantity and types of products replenished depends on management assessment of the recent sales history of the specific products and logistic turnaround days of the underlying suppliers. Inventory count is performed semi-annually for our warehouse and retail outlets, with the count result being reconciled and updated to inventory records and accounting records.

We plan to upgrade our inventory management system. We are in the process of test running of an integrated and improved inventory management system which barcode all products to keep track of individual product turnover and stock availability at the warehouse and also at respective retail outlet. Under the upgraded system, all inventory movements including transfers amongst different retail outlets have an associated computer record, which is updated with the input by retail outlet attendants or cashier of the barcode of the merchandising item being sold. We intend to implement the upgraded system throughout our retail chain network, and part of our Listing proceeds will be applied for this purpose. Please refer to the section headed "Reasons for the Placing and Use of Proceeds" of this prospectus for further details.

Provisioning for inventories

We review and identify, at the end of each financial period, any obsolescence issues with inventories based on recent sales performance, our experience with characteristic customer purchase behaviour, and our assessment of the model's alignment with the current market trend.

- For the best-selling, stable models and for designs with ageing less than 2 years and proven recent sales history, these are regarded as current up-to-date models for which generally no provision will be made, unless other factors has come to our awareness which is indicative of obsolescence issues.

- For models with more occasional and intermittent sales and designs with ageing of over 2 years, we assess the existence of any obsolescence issues on a case by case basis. We generally do not make a provision if the model has satisfactory recent sales performance. Full provision is made of models with designs with ageing of more than 2 years for which there is unsatisfactory recent sales performance.

Because we generally keep a larger inventory hoarding in our warehouse for the best-selling, stable models with proven sales history and maintain sparse level of inventory hoarding for models which have occasional and intermittent sales pattern for making display in individual retail outlets and merchandising sales to customers, historical rate with inventory obsolescence are low. For each of the years ended 31 March 2013 and 2014, we have not recorded any obsolescence provisions of material amounts.

Purchasing from suppliers

Our purchases are exclusively outright purchase of finished goods on a piecemeal and order-by-order basis. We do not involve ourselves with inventory consignment hoarding, franchising or similar agreements with our suppliers.

We source our products directly from various suppliers and manufacturers including global brand owners located in overseas countries of Italy, Germany, the United Kingdom, etc., and also a number of Hong Kong and PRC suppliers. Purchases directly from overseas suppliers are denominated principally in US dollar, Euro and Renminbi. Any foreign currency exchange fluctuations are borne by us.

For certain overseas suppliers who have manufacturing operations in the PRC, deliveries may be made directly from their PRC premises. Certain of our international suppliers have their representative offices located in Hong Kong and in such instances we typically lay our purchase orders with their representative offices in Hong Kong. In these instances, the transaction currency is normally denominated in Hong Kong dollar.

We typically do not undertake any hedging on foreign currency exchange exposure, but may liaise with our suppliers for adjusting our selling prices for their products if there has been excessively volatile fluctuation with foreign currency exchange that considerably erode our profit margin. Any compromise on selling prices is to be granted by our suppliers on a discretionary basis. The following table presents the analysis of the approximate percentage of our purchase by transaction currency for the Track Record Period:

	Year ended 31 March	
	2013	**2014**
	(%)	**(%)**
Hong Kong dollar	63%	57%
Renminbi	13%	8%
US dollar	15%	19%
Euro	9%	16%

We consider Euro to have undergone a general rise during the Track Record Period amidst relatively narrow fluctuations, with the exchange rate at the end of the Track Record Period being approximately 4% higher than that prevailing at the beginning of the period. Accordingly there was an overall escalating effect on our cost of sales attributable to purchase from European suppliers. Because Renminbi underwent a more pronounced decline during the last quarter of the year ended 31 March 2014, we may aspire to a mildly favourable effect to our cost of sales if the currency remains at the present level in the foreseeable future.

Certain of our major suppliers have a policy of allowing us to exchange product items purchased by ourselves for another items, if it was found after delivery the product items do not meet our requirements. In such instances, the suppliers may charge us a re-stocking or handling fee of up to 30% of the purchase invoice value of the original purchase. In practice, few such incidences ensure as we closely monitor our purchases to be readily marketable merchandise items, and because of the costly international freight charges and handling fee.

For the year ended 31 March 2013, our largest supplier was ARTEMIDE which accounted for approximately 13.3% of our total purchases. During the same year, purchases from our 5 largest suppliers accounted for approximately 36.2% of our total purchases.

For the year ended 31 March 2014, our largest supplier was KARTELL which accounted for approximately 15.4% of our total purchases. During the same year, purchases from our 5 largest suppliers accounted for approximately 46.8% of our total purchases.

The followings set out the profile of our 5 largest suppliers during the Track Record Period.

Name of supplier	Relevant financial year	Approximate year of business relationships with ourselves	Principal business activities with us	Usual credit terms and payment method
ARTEMIDE	31 March 2013 and 2014	3 years	Supply of Luminaries	50% payment in advance with 30 days credit terms for remaining portion. Settlement by bank cheque
KARTELL	31 March 2013 and 2014	6 years	Supply of designer label lighting and furniture products	Payment in advance in the past, changed to 60 days credit terms beginning 2013. Settlement by telegraphic transfer
Shun Hing	31 March 2014	5 years	Supply of Light Fitting products	Payment upon delivery in the past, changed to 30 days since July 2014. Payment by bank cheque
NOOVO	31 March 2014	2 years	Supply of designer label lamps and Luminaries	180 days credit terms, payment by bank cheque
Supplier A	31 March 2014	2 years	Supply of LED light bulbs	30 days credit terms, payment by bank cheque
TOM DIXON	31 March 2013	3 years	Supply of designer label lamps and Luminaries	Payment in advance, by telegraphic transfer
Supplier B	31 March 2013	10 years	Supply of Light Fitting products	30 days credit terms, payment by bank cheque
Supplier C	31 March 2013	5 years	Supply of Light Fitting products	Payment upon delivery, by bank cheque

Our largest supplier and our 5 largest suppliers during the Track Record Period are all Independent Third Parties.

None of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our 5 largest suppliers during the Track Record Period.

Distribution arrangement with suppliers

We as a retailer are required and have been designated or authorised by the relevant brand-owner before we can sell products carrying their brand names or designer labels. We are aware that suppliers and brand owners in the industry may or may not enter into any written agreement when appointing retailers and distributors, depending on business practices and the length and proximity of business relationship between these parties.

We typically do not enter into long-term written contracts with suppliers, including our major suppliers mentioned above. We believe securing a long-term supply contractual arrangement is not of crucial importance to our business. We believe that our established brand management expertise and sales capacity with our favourable retail network will promote a secure long term working relationship with our suppliers and cushion us against loss of any major suppliers that may entail.

Depending on the practice of the brand owners or designers and the length and proximity of business relationship between ourselves and these parties, the appointment of ourselves as a designated or authorised retailer may typically take the form of a simple authorisation letter or written confirmation issued by the brand owner or designer where no specific terms of appointment is stated. The terms of purchase from suppliers are set out in underlying commercial invoices in respect of each purchase transaction.

Communications are made from our suppliers of their expectations regarding the manner for the conduct of our business with distribution of their products. We consider our supplier relationship generally have the following salient features:

- we shall acquire the merchandising products exclusively from the specific supplier and the merchandising products may only be sold to customers at specific retail outlets as agreed between the supplier and ourselves;
- we are required to follow the pricing and discounting policies set out by certain suppliers from time to time;
- we are normally given credit periods by the suppliers of payment upon delivery to credit period of mostly not more than 60 days and we settle our trade creditors mostly by bank remittance or cheque. Certain suppliers, including one of our 5 largest suppliers during the Track Record Period, granted us longer credit terms of up to a maximum of 180 days, while other suppliers require payment in advance of purchase transaction;
- we are normally not required by our suppliers to meet minimum purchase value of ordering. The only exception is set out in the paragraph headed "Minimum purchase target requisite with a major supplier" below;

- certain of our suppliers have guidelines for us on the manner of display of their products, and their own design team may furnish us with their own promotional materials such as stickers, brand tags and posters for display in our retail outlets; and

- sales return are normally accepted for products with defects in accordance with the terms and conditions set out in underlying commercial invoices in respect of each purchase transaction, for which the supplier will either repair or replace the defective products altogether.

We are not the exclusive distributor of the products we sell and we are aware that certain of our competitors in Hong Kong also carry certain of our products. We do not pursue to be the sole regional distributor of any designated designer labels or brands. We have evaluated such strategy as not in the best interests to the growth of our product portfolio, as the entering into of such binding contractual arrangement could entail restrictive trading covenants that afford ourselves with less flexibility in managing our product portfolio, and may also disincline other potential competitive brands from approaching ourselves.

The business relationship between the major suppliers and manufacturers and ourselves ranges principally from approximately 2 to 10 years. We are ranked by a number of our suppliers as their major customer in Hong Kong. The significance of our purchase attributable to our largest supplier and our 5 largest suppliers for each of the year ended 31 March 2013 and 2014 are disclosed above.

The risk factors in relation to our relationship with our suppliers are disclosed under the paragraphs headed "Risk Factors — Risks relating to our business — Our business depends on our ability to maintain stable and adequate supply of inventories to meet customers' demand for our lighting and designer label furniture products" and "Risk Factors — Risks relating to our business — Single brand at single retail premises" of this prospectus.

Minimum purchase target requisite with a major supplier

During the Track Record Period, one of our major suppliers of lighting and designer furniture products, KARTELL, has laid down in the franchising agreement incepted with ourselves a mutually approved minimum volume of annual purchases of products for each of the calendar year 2011, 2012 and 2013, respectively, whereby the minimum annual purchase target was required to be increased by 10% from the previous calendar year.

The termination clause in the franchising agreement sets out circumstances where KARTELL had the right to terminate the franchising agreement. As we have designated certain of our retail premise, including a KARTELL mono-branded store, and devoted the entire area to the sale of KARTELL products, in the event that KARTELL decides to terminate the business relationship with us, our premise which is currently devoted to their products would cease to have products for sale and may have a material adverse effect on our business and results of operations.

We have complied with the foregoing requisites of minimum purchase target during the relevant periods without exception. The franchising agreement lapsed on 30 November 2013 and we have not entered into further agreements with requisite of minimum purchase target imposed by KARTELL upon ourselves. Throughout the period when the KARTELL franchising agreement was in effect, we have not received any notification from KARTELL as regards the intention of possible termination of our trading relationship.

Raw materials and sub-contracting activities

Our purchases from suppliers are exclusively finished goods, and we do not possess any production capacity nor involved ourselves in any sub-contracted production activities. As such, we have not undertaken any purchase of raw materials during the Track Record Period. Our suppliers may choose to pass on to us, through upward adjustment in their product pricing, any increase in their cost of production due to rise in raw material cost, but we are not under any contractual obligations to recompense our suppliers for raw material cost fluctuations.

We are involved in the following non-production related outsourcing activities of a sub-contracted nature:

- we normally outsource from certain third parties the transportations involved with the physical deliveries of the product items to our customers; and

- we outsource the electrical installation works for our Light Fitting products to certain third party Registered Electrical Contractors.

Please refer to the paragraphs headed "Customers" and "Installation Services for lighting appliance products" of this section for further details.

We outsource these non-production related activities from third parties for the reason of efficiency in our logistic operation and to enable ourselves to focus on our core business activities of higher priorities such as the strategic positioning of our retail stores.

We select and retain the third parties based on their past performance and fees level. For the third parties who perform electrical installation works, the qualification as a Registered Electrical Contractor is a pre-requisite for our hiring of the service. We maintain a continual working relationship with these third parties, of which the relationship typically ranges from approximately 7 years to approximately 10 years. We further solicitated a third party Registered Electrical Contractor in 2013 who have by now a year of working relationship with us. For those third parties who provide transportation services, we approach them on a as and when needed basis. We do not maintain a continual working relationship with them. All of these outsourced parties are Independent Third Parties.

The hiring of services from these third parties is on a piecemeal, transaction-by-transaction basis and we typically do not enter into long term servicing agreement with these parties. The terms of service fees with these third parties are normally determined on a pre-agreed sum per transaction basis, which tend to consistently applied to each and every service transaction of the same nature over a prolonged period. Costs of these outsourced services are not significant to our overall cost of sales, and are normally recompensed by charging our customers a nominal service charge which is added on to the invoice value for the provisioning of the related services.

INSURANCE

Our insurance coverage includes employee insurance and all risks insurance (which include loss and theft of, and damage to property such as our inventories in our warehouse and retail shops). We review our insurance policies from time to time for adequacy in the breadth of coverage. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims.

LEASED PROPERTIES

As at the Latest Practicable Date, we did not own any properties and we procure the use of sites for all of our business premises including retail stores, office premises and warehousing facilities on the basis of operating lease. Tenancies for all these properties are incepted with Independent Third Parties with typical lease terms of two to three years.

Rental expense is one of the major costs in our business operations.

The following table set forth an analysis of the total rental expenses of our business premises for the years ended 31 March 2013 and 2014:

	For the year ended 31 March			
	2013		2014	
	HK$'000	%	HK$'000	%
Rental expenses for:				
— Office premises and warehousing facilities	1,143	8.2%	1,404	7.6%
— Retail outlets	12,761	91.8%	17,102	92.4%
Total	13,904	100.0%	18,506	100.0%

The increase in rental was approximately 33.2% and 33.1% for the years ended 31 March 2013 and 2014, respectively, when comparing with the corresponding prior years. The average rental rate of our retail outlets for the years ended 31 March 2013 and 2014 was approximately

HK$600 and HK$686 per sq. ft., respectively. Given that there has been a general rising trend of rental expenses in Hong Kong in recent years, any substantial increase in rental expenses in future may have a material adverse impact on our profitability.

Operating lease rentals for our retail outlets depends on the commercial negotiation between the landlords and us, and generally require either (i) a monthly fixed rental payments depending on shop sizes and locations; or (ii) a monthly fixed rental payments depending on shop sizes and locations plus additional variable portion, which are based on a certain percentage of the monthly revenue generated by the subject retail outlets. Set out below are the number of our retail outlets with the respective types of rental payment during the Track Record Period and as at the Latest Practicable Date:

	For the year ended 31 March		As at the Latest Practicable Date
	2013	**2014**	
Number of retail outlets with the following types of rental payments:			
— Monthly fixed rental payment only	12	13	14
— Monthly fixed rental payment plus variable portion	2	3	3

All of our retail outlets with monthly fixed rental payment plus variable portion are located in a shopping mall in Shatin, New Territories.

Leases underlying our existing retail outlets shall fall due for expiry in various stages through 15 October 2014 to 30 April 2017. Lease agreements incepted by ourselves usually do not include an option for pre-emptive renewal of the tenancy upon expiry, but we believe we have a reasonable chance of securing renewal of the tenancies. We consider ourselves as a potentially desirable anchoring tenant for certain landlords of shopping arcades and shopping districts as the prestige of the international brands and designer labels we carry could potentially enhance the profile of these shopping arcades and shopping districts. In particular, operating as a clustering of retail outlets for our prime strategic location in Morrison Hill Road, Wanchai add to our bargaining power with the landlords specifically for this area.

In the event certain of the tenancies cannot be renewed, we do not foresee major adverse complications with our business viability as the extensive number of our retail outlets cushion the transitory effect of the closure or renovation of one or a few of our retail outlets. We estimate that the cost of relocation of each replacement store is approximately HK$1.2 million per 1,000 sq.ft. of floor area, comprising of capital expenditures of renovation for the replacement store, rental deposits for the replacement store, and miscellaneous expenditure outlay such as property agency commission, etc.

Please refer to the paragraph headed "Sales and Marketing — Our retail network" under this section for a full list of the address, floor areas and tenancy terms of our retail outlets.

LICENCES AND PERMITS

Our business operations in Hong Kong require us to obtain the following licences and permits:

Subject licence/ permit	Issuing authority	Group operating companies	Date of grant of licence	Date of expiry of licence	Expected timeframe for renewal
Business registration certificates	Inland Revenue Department	E Lighting	4 January 2014	3 January 2015	Before 3 January 2015
		Central Sky	24 October 2013	23 October 2014	Before 23 October 2014
		RS Holdings	23 February 2014	22 February 2015	Before 22 February 2015
		Good Harvest	20 May 2014	19 May 2015	Before 19 May 2015
		Element Lighting	11 May 2014	10 May 2015	Before 10 May 2015
		228 Inc Limited	6 November 2013	5 November 2014	Before 5 November 2014
Certificate of registration of electrical contractor	EMSD	Element Lighting	30 July 2014	3 October 2017	Before 3 October 2017

The business registration certificates issued by the Inland Revenue Department to our Group operating companies including E Lighting, Central Sky, RS Holdings, Good Harvest, Element Lighting, 228 Inc Limited are renewable annually on their respective dates of incorporation. The Inland Revenue Department will send business registration demand notes to our Group approximately 1 month before the expiration of the current business registration certificates and the demand notes will become valid business registration certificates upon payment.

The current certificate of registration of electrical contractor issued by ESMD to Element Lighting is for a period of 3 years and is due to expire on 3 October 2017. Renewal application for the certificate must be made at least 1 month before and no earlier than 4 months before its expiry date.

To the best of the information, knowledge and belief of our Directors, there are no legal impediments exist that will adversely affect the renewal of the business registration certificates held by our Group operating companies and certificate of registration of electrical contractor held by Element Lighting.

In addition, our in-house technician to perform electrical fitting and fixing works are also required to obtain certificates of registration of electrical worker issued by EMSD. The certificate was granted on 2 July 2013 and shall expire on 1 July 2016, when it will be subject to renewal.

We have obtained these licences and permits without exception. We are not aware of any circumstances which indicate potential violation of the terms and conditions to the grant of these licences and permit or for their renewal.

Please refer to the section headed "Regulatory Overview" of this prospectus for further details.

COMPETITION

The market in lighting and designer label furniture products is highly competitive. While all lighting shops are potentially our competitors, we consider our business model and extensive retail network set us apart from most of our competitors in the marketplace. Our professionalism, brand management expertise and the premium merchandising profile of the products we carry differentiate ourselves from the more generic, commonplace lighting product stores in Hong Kong. Please refer to the paragraph headed "Industry Overview — Lighting product retail industry in Hong Kong — Overview of lighting product retail industry in Hong Kong" of this prospectus for details of the industry and market trend.

In a broader sense, certain other top global brands in the international scene present competitive challenges to the international brands and designer labels that we carry, such as ARTEMIDE. These competitors in the international scene are mostly Italian or Spanish brands and certain of these competitors also have their distributors in Hong Kong.

We believe that we have no direct competitors of similar profile in Hong Kong that replicate our business model insofar as encompassing our multi-layered product profile, the sales capacity of our extensive retail network and our distinguishing brand management expertise with international designer labels. Although the entry barrier to the lighting appliances industry is low resulting in a fragmented market, we believe that we have established our unique position in our chosen fields and possess competitive advantage over our competitors in our areas of specialisation. Please refer to the paragraph headed "Industry Overview — Lighting product retail industry in Hong Kong — Entry barriers" of this prospectus for details of the entry barriers to the lighting appliance industry and the sub-section headed "Our principal competitive strengths" under this section for details of our competitive advantages.

According to the Ipsos Report, as at 31 December 2013, our Group was the top retailer of lighting products, of which our revenue in 2013 accounted for approximately 12.1% of the total revenue of the lighting product retail industry in 2013. Please refer to the paragraph headed "Industry Overview — Lighting product retail industry in Hong Kong — Competitive landscape of lighting product retail industry in Hong Kong" of this prospectus for further details of the major lighting retailers in Hong Kong and our positioning against these competitors.

Please refer to the paragraph headed "Industry Overview — Lighting product retail industry in Hong Kong — Factors of competition" of this prospectus for details of the key factors of competition of the lighting product retail industry in Hong Kong.

Competition in the commercial lighting segment

Certain of our competitors specialising in the commercial lighting products offer lighting solutions package for commercial settings such as the furnishing of illumination for an office environment. As commercial lighting is not our business focus, we currently have no plans to expand our existing business scope with this market segment to compete with these competitors on these fronts.

Suppliers who are also competitors

Certain of our suppliers also operate their own retail chain of network and compete with us in certain product fronts. These include:

- One of our major suppliers, ARTEMIDE, has its own showroom and singleton flagship store in Hong Kong which makes sales of certain ARTEMIDE lighting products carried by ourselves and therefore compete with us in these product fronts. We are of the opinion that the competition from this singleton store is not intense by virtue of our superior retail capacity. The presence of the ARTEMIDE showroom and singleton flagship store in Hong Kong may confer benefits of status to our business by promoting the status and presence of the designer label in the area.

- One of our suppliers which is the authorised wholesaler for a branded household electronic product manufacturer operates a few retail shops in Hong Kong with consumer electronic products in general, including lighting appliance products. The retail shops of this competing supplier differ from us as they do not specialise in lighting products. We consider the competition affronted by this competing supplier is not intense due to the superior sales capacity of our extensive retail network.

- Another supplier who supplies us with LED, energy-saving light bulbs and, to a lesser extent, Light Fittings has its own retail chain business which deals more with energy-saving light bulbs and commercial and outdoor lightings in general. This supplier also makes sales to commercial enterprises, and other retailers and distributors. We consider the profile of this competing supplier generally differs from us and do not affront a direct competition.

INTELLECTUAL PROPERTY RIGHTS

We position ourselves in the lighting and furniture market as a distinguished brand manager and operator. Our retail outlets carry various logos which are our own trade names. As such we consider that the branding of the products we carry and our own trademarks represent our most valuable intellectual properties at our disposition.

As at the Latest Practicable Date, we have registered five trademarks in Hong Kong and have applied for registration of various trademarks in Hong Kong. For further details, please refer to the paragraph headed "Further Information about Our Business — Intellectual property rights" in Appendix IV to this prospectus.

We do not have other intellectual property rights other than trademarks which are materially important to our operations.

We are entitled to apply in advance for the use of the international designer labels and branding distributed by ourselves in the opening of our own retails outlets and promotional activities, but the intellectual property rights of these designer labels and branding are not our own but belong to the underlying manufacturers.

We have not encountered any past incidences of actual or potential infringement of intellectual property rights in relation to our trademarks or disputes of related contentious nature. We have not received or reported of any actual or potential complaints, claims, legal actions or proceedings against ourselves in these connections.

EMPLOYEES

As at the Latest Practicable Date, we employed 49 full-time employees (excluding our Directors). The following table sets forth the total number of employees by job function:

Job function	Number
Business development and operations	3
Retail merchandising	33
Logistic and warehousing	2
Accounting, administration and human resources	9
Repair and maintenance	2
Total	49

Depending on job description, we select our employees mainly based on their experience, past career history and/or academic background. We aim to foster a sense of belonging in a motivating environment for our employees to enhance employee morale and loyalty.

For sales staff involved in retail merchandising, we offer them performance-linked sales commission to provide more incentive to them. We offer induction sessions on product knowledge and customer servicing skills to our salesman upon newly joining ourselves. Periodic briefing sessions are held where we brief our staff with knowledge on latest product development of our suppliers.

We coordinate with our system ware developers to provide training sessions to our staff on the use of our management information system and related technology upgrade, including the facilitation of point-of-sales monitoring of inventory levels.

Compensation for our employees typically comprises basic monthly salaries, certain allowances and discretionary bonuses. We operate a defined contribution mandatory provident fund scheme as required under Hong Kong law for our eligible employees in Hong Kong.

HEALTH, WORKPLACE SAFETY, SOCIAL AND ENVIRONMENTAL PROTECTION

Pursuant to the Occupational Safety Health Ordinance, employers are required, so far as reasonably practicable, to ensure the safety and health at work of all the employees. We consider we have managed our business operations with due consideration to workplace safety and health concerns and comply with the requirements.

Our staff manual includes provisioning as to emergency and evacuation procedures upon the breakout of fire, electrical outage and water flood in our retail outlets.

The electrical supply system for showcasing our lighting products in our retail stores involves many electrical contacts. Accidental leakage in the flow of electrical current in a high-voltage system can be fatal to a human in contact with the leak. We have attended to the design layout of our retail stores to minimise the electrical hazards involved with the spillover of watery content over the electrical supply circuit of our retail stores. During rainy seasons, we send reminders to our retail store attendants to alert them of the importance of implementing precautionary measures against flooding, with the intention to minimise electrical hazards arising out of inadvertent contact of rain water with electrical contacts.

We have not committed any material non-compliance in relation to health and safety matters and we have not received notification from any relevant government authority demanding fines, penalties, imposition of specific safety requirements or other exceptions during the Track Record Period and up to the Latest Practicable Date.

We do not have formal protocols over social responsibility and environmental protection matters. We believe the nature of our business operations do not impose any serious threats to these concerns. We consider the profile of our product encompassing luminaries with eco-design, energy saving LED Light Fittings and bulbs, etc. may contribute to the social awareness of global themes of energy saving and environmental protection.

REGULATORY AND LEGAL COMPLIANCE

Our Directors confirmed that, save as disclosed below, our Group had complied with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Material non-compliance incidents

We set out below our material non-compliance incidents with applicable laws and regulations during the Track Record Period. Our Directors are of the view that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

1. ***Non-compliance with the EO***

E Lighting, Element Lighting and RS Holdings had failed to comply with certain regulatory requirements under the EO and had offered for sale electrical products where no certificate of safety compliance had been issued that met the requirement of the Regulation respecting electrical product safety.

A summary of the relevant non-compliance incidents is set out below:

Non-compliance incidents	Cause of non-compliance	Rectification/Remedial actions taken/to be taken	Legal consequences and maximum potential penalty	Director/senior management in charge of the rectification/remedial actions	Measure in place to prevent future recurrence of non-compliance incident
Element Lighting failed to produce issued certificate of safety in compliance with the regulation under section 29(1)(b) of EO for a model of LED Lamp offered by it for sale at an inspection by EMSD on 17 October 2012. Element Lighting commenced the sales of the model of LED Lamp from 7 October 2012 to 22 November 2012. The amount of revenue generated from the said LED Lamp during the Track Record Period was approximately HK$2,688. E Lighting failed to produce issued certificate of safety in compliance with the regulation under section 29(1)(b) of EO for a model of LED Desk Lamp offered by it for sale at an inspection by EMSD on 2 February 2012. No sales transaction was made of the said LED Desk Lamp during the Track Record Period. RS Holdings failed to produce issued certificate of safety in compliance with the regulation under section 29(1)(b) of EO for a model of LED Table Lamp and three models of LED Lamp offered by it for sale at two inspections by EMSD both on 17 October 2012. RS Holdings commenced the sales of the model of LED Table Lamp and the three models of LED Lamp from 4 April 2012 to 22 November 2012.	To the best of our Directors' understanding, EMSD declined to accept the declarations of conformity or test reports/ certificates produced by ourselves or the relevant manufacturers mainly because (i) the subject LED related products were not tested with safety standards considered as appropriate by EMSD; or (ii) the test reports/certificates were not issued by a recognised certification body acceptable to EMSD. Lighting appliance products for general illumination application are principally a class of household electrical product. In the past EMSD has recommended safety standards for the testing of these products. The use of LED in general lighting applications however has only appeared in the past few years and the testing standards for LED lamps are still under development in Hong Kong. At the material time when EMSD undertook inspection of the subject LED related products, it was prior to January 2013 when EMSD issued the relevant "Guidelines for Specifying and Procuring LED Lighting Products for Lighting Projects" whereby specification is made of the appropriate safety standard by which LED products at the material time should have been subject to. Accordingly there was then an absence of unambiguous specification from EMSD available to the public as to the required safety standards by which LED related products should be tested.	Element Lighting had ceased to supply the model of LED Lamp on 22 November 2012, the date of receiving letter of request from EMSD. E Lighting did not make any sales transaction of the said LED Desk Lamp because it was a sample product provided by the supplier. RS Holdings had ceased to supply the model of LED Table Lamp and the three models of LED Lamp on 22 November 2012, the date of receiving letters of request from EMSD. Our Group has since worked closer with its supplier of LED Lamp to enhance its level of understanding of the regulatory requirements in Hong Kong for certificate of safety compliance.	Pursuant to section 55 of the EO, a person who contravenes section 29(1)(b) commits and offence and is liable to a fine of HK$10,000. Pursuant to section 56B of the EO, it is a statutory defence of due diligence to a person in a proceeding against him regarding contravention of section 29(1)(b) if the person charged shows that he took all reasonable steps and exercised all due diligence to avoid committing the offence and in order to rely on the statutory defence of due diligence, the person needs to show that it was reasonable in all the circumstances for him to have relied on the information, having regard in particular: (a) to the steps which he took, and those which might reasonably have taken, for the purpose of verifying the information; and (b) to whether he had any reason to disbelieve the information. Pursuant section 57 of the EO, a prosecution under the EO shall be commenced within 6 months after the offence becomes known to the Director of Electrical & Mechanical Services.	Mr. Hui, our executive Director and chief executive officer; and Mr. Chang David, our business development manager.	Mr. Chang David, our business development manager, will oversee compliance with safety requirements of all lighting and electrical products offered for sale at our retail stores and will enhance closer communications between us and our suppliers to assist them to understand and facilitate the compliance with the safety certification over the lighting and electrical products supplied by them to us. Our Group has since worked closer with its supplier of LED Lamps to enhance their level of understanding of the regulatory requirements in Hong Kong for certificate of safety compliance. We have continued our supplier assessment practice. We will establish an EO Compliance Committee. For further details in relation to our Group's measures to prevent future non-compliance with the EO, please refer to points 7 to 10 under the paragraph headed "Measures to ensure future compliance" below.

Non-compliance incidents	Cause of non-compliance	Rectification/Remedial actions taken/to be taken	Legal consequences and maximum potential penalty	Director/senior management in charge of the rectification/remedial actions	Measure in place to prevent future recurrence of non-compliance incident
The amount of revenue generated from the said LED Table Lamp and three models of LED Lamp during the Track Record Period was approximately HK$59,291.	To the best of our Directors' understanding, the manufacturers of the subject LED related products tested these products with safety standards which are generally acknowledged in the industry for testing of lighting appliances including IEC Standard and EN Standard. Accordingly, our Directors accepted in good faith the test reports/certificates produced by the manufacturers of the subject LED related products. Nevertheless, EMSD considered the subject LED related products should be subject to alternative safety standards which were eventually recommended by EMSD as appropriate safety standards by which LED related products are to be tested in its "Guidelines for Specifying and Procuring LED Lighting Products for Lighting Projects" issued in January 2013. The referred guideline, which was issued only in a time subsequent to ESMD undertook inspection of the subject LED related products, was for reference only and does not have any statutory effect.				

During the Track Record Period, EMSD has paid visits to our retail outlets and requested inspection of relevant certificates of safety compliance for certain of our lighting products. In 4 incidents of these requests for inspection by EMSD, we were unable to produce the relevant certificates, test reports and/or declarations to the satisfaction of EMSD. The 4 non-compliance incidents involved an aggregate of 6 LED related products. Declarations of conformity and test reports/certificates were produced to EMSD for inspection in every incident, but it was found that EMSD did not accept these declarations of conformity and test reports/certificates as acceptable documents of safety compliance under section 29(1)(b) of the EO. Section 55 of the EO provides that a person who contravenes section 29(1)(b) of the EO is liable to a fine of HK$10,000. For each of the 4 non-compliance incidents, EMSD has followed up with a request for the cessation of the sale of the subject products, for which we have complied without exception. For each of these non-compliance incidents, we have not received any further indications of exceptions or dispute from EMSD. None of the subject products involved in the 4 non-compliance incidents has been enlisted by EMSD in its published list of electrical products recalled and/or prohibited for sale up to the Latest Practicable Date. For each of the 4 non-compliance incidents, we have not received any notice of prosecution or further indications of exceptions of dispute and/or non-compliance from EMSD or any other relevant regulatory body.

We are of the view that we had satisfied the due diligence requirements under section 56B(1) of the EO and would have valid defence to all the abovementioned non-compliance incidents, as we had taken all reasonable steps in obtaining the declarations of conformity and test reports/certificates to fulfill our responsibilities under the EO and verifying the information. These declarations of conformity and test reports/certificates produced to EMSD were all tested with IEC Standards or other standards which were accepted in various countries, and at the time of obtaining these documents we had no valid reason to believe the information would not be acceptable to EMSD.

As advised by our legal adviser as to Hong Kong law, under section 57 of the EO, any prosecution under the EO shall be commenced within 6 months after the offence becomes known to the Director of Electrical and Mechanical Services, since the date of the last non-compliance incident was incurred in November 2012 the chance of Element Lighting, E Lighting and RS Holdings and/or their directors will be prosecuted, penalised or fined in respect of the non-compliance incidents with the EO is remote as the time limit for prosecution under the EO in respect of the non-compliance incidents had expired. Moreover, our legal adviser as to Hong Kong law is also of the opinion that in the event Element Lighting, E Lighting and RS Holdings and/or their directors were being prosecuted in respect of the non-compliance incidents, each of them would successfully defend the claims against them with the statutory defence of due diligence under section 56B of the EO.

As advised by our legal adviser as to Hong Kong law, apart from the penalty imposed under section 55 of the EO, the EO does not provide for any civil liability in the event a non-compliant lighting product is unsafe, however, we may be liable to our customers for damage and loss suffered as a result of any unsafe product supplied by us through civil claims under common law and there are recourses available to us through civil claims against the supplier or manufacturers of such unsafe product for indemnification under common law. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any product liability claim from our customer for any unsafe product sold by our Group.

Accordingly no provisions had been made for the non-compliance incidents under the EO. Our Directors are of the view that such non-compliance will not have a material financial or operational impact on us.

Our Directors confirmed that subsequent to the EO non-compliance incidents, EMSD has paid visits to certain of our Group's retail outlets and inspected samples of merchandising products carried in these retail outlets including LED related products, and our Group has not received any further notification of non-compliance in these connections.

The current regulatory requirement under section 29(1)(b) of the EO has been implemented by EMSD since 1990 and the use of LED in general lighting applications has only appeared in the past few years and the testing standards for LED lamps is still under development in Hong Kong. Our Group did not seek guidance from EMSD before the sales of the non-compliant products because, to the best of our understanding and information, the LED products carried by our Group were supplied by manufacturers who had been testing their lighting products with safety standards generally adopted by the industry including IEC Standard and EN Standard and our Group did not anticipate EMSD would have applied an alternative safety standard for the LED products other than the usual safety standard for general luminaries. In January 2013, EMSD published a "Guidelines for Specifying & Procuring LED Lighting Products for Lighting Projects" (the "**LED Guidelines**"). The purpose of the LED Guidelines is to highlight to lighting project designers and owners of the key aspects to be taken into account in specifying and procuring LED lighting products to be used in lighting projects. However, the LED Guidelines is for reference only and does not have any statutory effect. The LED Guidelines only provide a reference to our Group on EMSD's requirements in relation to safety standard of LED products and is not a regulation that our Group has to comply with. In the LED Guidelines, EMSD stated that LED modules and luminaire should comply with relevant safety and environmental standards with the note that key safety standards include IEC 62031 for LED modules, IEC 61347-2-13 for LED drivers, IEC 62471 for photo-biological safety, IEC 60598 for aspects similar to general luminaire, IEC 62560 for self-ballasted lamps (>50Volt) and IEC 60838-2-2 for particular requirements on connectors for LED modules.

During the Track Record Period, we carried an aggregate of not less than 1,000 LED related lighting products. To the best of the knowledge, information and beliefs of our Directors, apart from those six models of lighting products referred to in the abovementioned non-compliance incidents, our Directors are not aware of any other lighting products carried by us which are non-compliant with the EO, the Regulation (including the safety standard of IEC 60598 Luminaries), other relevant rules and regulations. We are not going to re-commence selling the said six models of lighting products referred in the abovementioned non-compliance incidents after Listing. In addition, having considered the measures in place to prevent future recurrence of non-compliance incident as disclosed in this prospectus including (i) the working closer with our suppliers of lighting products and sending them the relevant safety standards on lighting products required by EMSD (including those set out in the LED Guidelines published in January 2013) to remind them to conduct testing on their lighting products according to appropriate safety standards; and (ii) the requesting our suppliers to provide test certificates or reports in accordance with the relevant safety standards for LED related products supplied to us, our Directors are of the view that we have taken adequate and appropriate measures to reasonably assure ourselves that the LED products being supplied to us conform to EMSD's requirements and the non-compliance incidents would have no negative impact on our Group's sales of LED products going forward.

2. *Non-compliance of the Inland Revenue Ordinance ("IRO")*

RS Holdings had submitted its profits tax return for the year of assessment 2011/12 to the Inland Revenue Department ("**IRD**") late on 16 November 2012.

A summary of the relevant non-compliance incident are set out below:

Non-compliance incidents	Cause of non-compliance	Rectification/Remedial actions taken/to be taken	Legal consequences and maximum potential penalty	Director/senior management in charge of the rectification/ remedial actions	Measure in place to prevent future recurrence of non-compliance incident
RS Holdings failed to comply with sections 51(1) and 80(2) of the IRO in submitting its profits tax return for the year of assessment 2011/12 (the "**Return**") on time.	RS Holdings had changed its auditors to audit its financial statements for the financial year ended 31 March 2012 and had changed its tax representative which caused the delay of one day in the submission of the Return.	RS Holdings completed and submitted the Return to the IRD on 16 November 2012, one day after the time limit.	Pursuant to sections 51(1) and 80(2) of the IRO, any person who, without reasonable excuse, fails to complete and submit the Return within stipulated time limits commits an offence and is liable to conviction to a fine at level 3 (maximum HK$10,000) and a further fine of treble the amount of tax which has been undercharged in consequence of the failure to submit the Return with a notice within stipulated time limits.	Mr. Hui, our executive Director and chief executive officer; and Mr. Yun Hon Man, our financial controller.	Mr. Yun Hon Man, our financial controller will supervise our accounting and finance department and internal control procedure to ensure compliance in submitting our tax returns. Our audit committee will also oversee our financial reporting and internal control procedures.

On 13 December 2013, our legal adviser as to Hong Kong law wrote to the IRD on behalf of RS Holdings to enquire as to whether the IRD would take any action against RS Holdings for non-compliance incidents with section 51(1) of the IRO.

On 24 December 2013, the IRD wrote and informed RS Holdings that they were of the opinion that RS Holdings had, without reasonable excuse, failed to furnish the profits tax return for the year of assessment 2011/12 within the time allowed and the IRD further informed RS Holdings that no action would be taken against it relating the incident, however, any future failure of this nature would not be treated so leniently.

As advised by our legal adviser as to Hong Kong law, they are of the opinion that with the letter from the IRD to RS Holdings informing that no action would be taken against it, the chance of IRD taking further action to prosecute RS Holdings on the non-compliance incident is low.

Accordingly, no provisions had been made for the non-compliance incident with the IRO. Our Directors are of the view that such non-compliance incident will not have a material financial or operational impact on us.

3. ***Non-compliance with the Predecessor Companies Ordinance ("PCO")***

Element Lighting, had failed to make timely filings in relation to certain company secretarial matters with the Companies Registry ("**CR**") of Hong Kong under section 158 of the PCO and had sought an order from the High Court of Hong Kong to rectify two non-compliance incidents in failing to lay before the annual general meeting, financial statements made up to a date being not more than nine months before the date of the annual general meeting under section 122 of the PCO.

A summary of the relevant non-compliance incidents is set out below:

Non-compliance incidents	Cause of non-compliance	Rectification/Remedial actions taken/to be taken	Legal consequences and maximum potential penalty	Director/senior management in charge of the rectification/ remedial actions	Measure in place to prevent future recurrence of non-compliance incident
Element Lighting failed to comply with section 122 of the PCO to lay the audited accounts for the financial year ended 31 March 2006 and 31 March 2007 to its members in general meeting on or before the statutory time limits of 31 December 2006 and 31 December 2007 respectively.	During the relevant periods, Element Lighting had retained company secretarial service provider to assist with ongoing compliance obligations under the PCO and the company secretarial service provider overlooked the requirements under section 122 of the PCO.	The audited financial statements for the financial years ended 31 March 2006 and 31 March 2007 were being laid before the shareholders of Element Lighting on 20 August 2007 and 10 November 2008 respectively and were approved by its shareholders. On 12 February 2014, an order was obtained from the High Court of Hong Kong under Miscellaneous Proceedings No.2988 of 2013: (i) to extend the time limit for Element Lighting to present its audited financial statements for the year ended 31 March 2006 be extended to 20 August 2007; and (ii) to extend the time limit for Element Lighting to present its audited financial statement for the year ended 31 March 2007 be extended to 10 November 2008.	Pursuant to section 122 and Schedule 12 of the PCO, if a director of a company fails to take all reasonable steps to comply with the requirements under this section 122(1), such person is liable to a maximum fine of HK$300,000. Further, if it is proven that the breach was wilfully committed, such director could be sentenced to imprisonment for up to 12 months.	Mr. Hui, our executive Director and chief executive officer; Mr. Yun Hon Man, our financial controller and Mr. Lam Chi Yan, our company secretary.	Mr. Yun Hon Man, our financial controller and Mr. Lam Chi Yan, our company secretary will assist Element Lighting to ensure compliance with section 122 of the PCO. Our audit committee will oversee our financial reporting and internal control procedures.
Element Lighting failed to submit Form FD2B — Notification of Change of Particulars of Secretary and Director with the CR within 14 days of change occurring on 10 May 2012.	During the relevant period, the responsibility for submission of statutory returns with the CR were undertaken by the company secretarial service provider retained by Element Lighting and the company secretarial service provider overlooked the requirements under section 158 of the PCO to submit the Form FD2B within the statutory time limit.	The Form FD2B was submitted to the CR on 28 May 2012 to rectify the non-compliance.	The company and every officer of the company who is in default in complying with section 158(4) of the PCO shall be liable to a fine at level 3 in the maximum sum of HK$10,000 and a daily default fine of HK$300. The maximum penalty to be imposed is HK$11,500.	Mr. Hui, our executive Director and chief executive officer, and Mr. Lam Chi Yan, our company secretary.	Mr. Lam Chi Yan, our company secretary will assist Element Lighting to submit all returns to the CR to ensure compliance with time limits under the PCO.

Our legal adviser as to Hong Kong law wrote to the CR on 16 January 2014 on behalf of Element Lighting to enquire as to whether the CR would take any action against Element Lighting for non-compliance with section 158 of the PCO.

In response to the letters of our legal adviser as to Hong Kong law, the CR wrote to our legal adviser as to Hong Kong law on 23 January 2014 in reply to state that the CR was not in a position to confirm that no prosecution would be taken against Element Lighting for breach of the PCO.

Despite the letter from the CR to our legal adviser as to Hong Kong law as mentioned above, as advised by our legal adviser as to Hong Kong law, they are of the opinion that with the granting of the order by the High Court on 12 February 2014 to extend the time for Element Lighting to lay its audited accounts for financial years ended 31 March 2006 and 2007, these non-compliance incidents have been fully rectified. Further, our legal adviser as to Hong Kong law is of the opinion that since Element Lighting was only 5 days late in filing the notification of change of particulars of secretary and director with the CR, the chance of Element Lighting and its officers, including its directors, being prosecuted for non-compliance of section 158 of the PCO is remote. Our legal adviser as to Hong Kong law are further of the opinion that in the unlikely event that Element Lighting is being prosecuted for the abovementioned non-compliance incident of section 158 of the PCO, the amount of penalty that will be imposed on Element Lighting and/or its officers including its directors will be substantially less than the maximum penalty of HK$11,500.

Accordingly, no provisions had been made as the non-compliances with the PCO had been rectified. Our Directors are of the view that such non-compliance incidents will not have a material financial or operational impact on us.

As at the Latest Practicable Date, no notice, demand notice, penalties, charges or other legal documents had been served on/made against Element Lighting and its officers including its directors in connection with the non-compliance with the PCO from the CR.

4. *Non-compliance with the Mandatory Provident Fund Scheme Ordinance ("MPFSO")*

The operating subsidiaries of our Group, namely Central Sky, Element Lighting, RS Holdings, E Lighting and Good Harvest (the "**Operating Subsidiaries**") had failed to make MPF contributions for their employees on time for the months of June to September, November to December 2013.

A summary of the relevant non-compliance incidents is set out below:

Non-compliance Incidents	Cause of non-compliance	Rectification/Remedial actions taken/to be taken	Legal consequences and maximum potential penalty	Director/senior management in charge of the rectification/ remedial actions	Measure in place to prevent future recurrence of non-compliance incident
Central Sky failed to comply with section 7A(8) of the MPFSO and was late in making MPF contributions for its employees for the contribution periods for the months of July and August 2013. Element Lighting failed to comply with section 7A(8) of the MPFSO and was late in making MPF contributions for its employees for the contribution periods for the months of June, July, August, September and December 2013. RS Holdings failed to comply with section 7A(8) of the MPFSO and was late in making MPF contributions for its employees for the contribution period for the month of August 2013. E Lighting failed to comply with section 7A(8) of the MPFSO and was late in making MPF contributions for its employees for the contribution periods for the months of July, August and November 2013. Good Harvest failed to comply with section 7A(8) of the MPFSO and was late in making MPF contributions for its employees for the contribution period for the month of August 2013.	Matters relating to the payrolls and MPF contributions of the Operating Subsidiaries were prepared and handled by our Group's administration and finance department, which consisted of 6 personnel. The computations for the commission entitlements of the employees for the months from June to September, November and December 2013 were delayed and as a result and attributed to the delays in MPF contributions for the employees of the Operating Subsidiaries for those periods. The failures to comply with the MPFSO were unintended and due to inadvertent oversights on the statutory time limit.	The delayed MPF contributions had been fully settled by the respective Operating Subsidiaries. The Operating Subsidiaries fully paid and settled all statutory surcharges on the delay MPF contributions demanded by the Payment Notice for Outstanding Mandatory Provident Fund Contributions and Contribution Surcharge issued by the Mandatory Provident Fund Schemes Authority ("**MPFSA**") in the aggregate sum of HK$5,076.44.	Pursuant to section 43B(1C)(b) of the MPFSO, the maximum penalty that may be imposed on the non-compliant employer (including a company and/or its director) for failing to make an adequate MPF contribution for its employee to an approved trustee in the manner required under section 7A(8) of the MPFSO is a maximum fine of HK$350,000 and to imprisonment for 3 years; and a daily fine of HK$500 for each day if the offence remains ongoing. Pursuant to section 45A of the MPFSO, the MPFA may impose financial penalty for non-compliant employer who failed to pay contribution on time which is HK$5,000 for each case or 10% of the outstanding contribution, whichever is greater. Accordingly, the MPFSA may impose a financial penalty on the Operating Subsidiaries in the maximum sum of HK$60,000.	Mr. Hue, our Chairman and executive Director; and Ms. Lam Yi Shun, our Human Resources Manager.	From September 2013 to November 2013, we have increased the staff member of our Group whose are responsible for handling accounting, administration and human resources matters from 6 to 8 personnel including the employment of Ms. Lam Yi Shun as our Human Resources Manager.

We have also requested the MPF trustee of the Operating Subsidiaries (the "**MPF Trustee**") on a voluntary basis to review their MPF contributions records. On 13 February 2014, the MPF Trustee issued a letter stating that they had reviewed all the past MPF contributions and payment records of the Operating Subsidiaries and confirmed that the Operating Subsidiaries had settled all MPF contributions and surcharges and there was no outstanding MPF contributions and surcharge as of 13 February 2014.

On 16 January 2014, our legal advisers as to Hong Kong laws wrote to the MPFSA on behalf of the Operating Subsidiaries to enquire whether the MPFSA would take further actions against the Operating Subsidiaries in respect of their failure to made MPF contributions for its employees on time relating to the contribution period for the months of July 2013 and August 2013. In response, the MPFSA wrote to our legal adviser on 14 March 2014 in reply to state that the MPFSA has followed up with the MPF Trustee and confirmed that all the MPF contributions and surcharges of the Operating Subsidiaries for the above-mentioned contribution period have been settled. The MPFSA did not answer whether or not it would take further actions against the Operating Subsidiaries.

As advised by our legal adviser as to Hong Kong law, the chance of prosecution against any of the Operating Subsidiaries and/or their officers, including their directors is low as the delays in making MPF contributions were short and they had paid the relevant surcharge as required under the MPFSO. Our legal adviser as to Hong Kong law is further of the opinion that in the unlikely event that the Operating Subsidiaries and/or their respective officers, including their directors are being prosecuted for the abovementioned non-compliance incidents of section 7A(8) of the MPFSO, the amount of penalty that will be imposed on Operating Subsidiaries and/or their respective officers including their directors shall not be exceeding HK$108,000.

Accordingly no provisions had been made for the non-compliance under the MPFSO. Our Directors are of the view that the non-compliance incidents with the MPFSO will not have a material financial or operational impact on us.

As at the Latest Practicable Date, no notice, demand notice, penalties, charges or other legal documents had been served on or made against any of the Operating Subsidiaries and their respective officers, including their directors in connection with the non-compliance with MPFSO from the MPFSA.

Indemnity from our Controlling Shareholders in relation to the non-compliances

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of, *inter alia*, any liabilities which may arise as a result of any non-compliance of our Group on or before the date on which the Placing becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "Other information — Tax and other indemnities" in Appendix IV to this prospectus.

Measures to ensure future compliance

We have adopted or will adopt the following corporate governance and internal control measures to enhance the internal control systems and ensure compliance with applicable law and regulations:

1. we have established the Audit Committee on 11 September 2014, which will establish formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations;

2. our internal control measures, policies and procedures have been codified in our new internal operational manual, which have been adopted and implemented by us, after taking into account the recommendations from our Internal Control Adviser;

3. subject to recommendation from our Audit Committee, we will appoint external internal control advisers to perform periodic review of our internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of our internal control policies and procedures;

4. our Group has appointed Mr. Hue, an executive Director, as compliance officer. Mr. Hue is responsible for, *inter alia*, the oversight of compliance with related laws and regulations. Mr. Hue is also the head of the human resources department;

5. our Group has appointed Mr. Yun Hon Man as financial controller. Details of Mr. Yun are set out in the paragraph headed "Directors, Senior Management and Staff — Senior Management" of this prospectus. Mr. Yun is responsible for financial matters of our Group;

6. our Group has appointed Mr. Lam Chi Yan as company secretary. Details of Mr. Lam are set out in the paragraph headed "Directors, Senior Management and Staff — Senior Management" of this prospectus. Mr. Lam is responsible for daily secretarial matters of our Group;

7. our Group has dedicated Mr. Chang David, our business development manager, to oversee compliance with safety requirement since early 2013. Mr. Chang David is responsible to observe and update the EO Compliance Committee, as mentioned below, of the latest requirement of safety standards and industry standards of lighting products. Mr. Chang has over 15 years of experience in lighting business in Hong Kong, which offers him with in-depth knowledge in lighting products including their safety requirements.

During his employment as Sales Supervisor from 1997 to 2008 at Rio Industrial Limited, a manufacturer of lighting products, he had gained experience and knowledge in different aspects of lighting products including their nature, characteristics and safety requirements. During his employment as sales manager from 2008 to 2012 at Rio Industrial Limited, Mr. Chang was responsible for, among other things, communicating the safety standards of lighting products requested by customers to the production plant and testing laboratory, ensuring the products' compliances with the relevant safety and certification requirements as well as monitoring the latest development on safety standards. Details of Mr. Chang are set out in the sub-section headed "Directors, Senior Management and Staff — Senior Management" of this prospectus;

8. Since the non-compliance incidents with the EO, we have worked closer with the suppliers of the lighting products. We have sent the relevant safety standards on lighting products published by EMSD to our suppliers; reminded them to conduct testing of lighting products according to the safety standards required by EMSD; and requested them to provide test certificates or reports in accordance with the relevant safety standards for LED related products supplied to ourselves. We will conduct similar measure when there is new or revised safety standards required by EMSD.

9. Our business development team has reviewed and assessed and will review and assess all suppliers of our Group. For the existing suppliers, our business development manager will conduct annual review in accordance with the criteria as set out in our supplier assessment form including product specifications and safety documents, and our records of the suppliers and products will be updated according to the assessment results. When new suppliers are introduced to our Group, they are required to fill in a supplier information form and return the same with supporting document, such as catalogue, declaration of conformity, company profile to our business development team for assessment. Only the suppliers with satisfactory assessment result will be included in our vendor list and assigned with supplier codes. All vendors will have unique supplier codes to be identified. The vendor list is prepared and updated by the business development manager, and reviewed by our financial controller regularly.

10. We have established an EO Compliance Committee (the "**EO Compliance Committee**") consisting of executive directors and independent non-executive directors on 11 September 2014 to oversee and monitor our Group's compliance of EO and other relevant regulations through regular meetings and special meetings. EO Compliance Committee will monitor the ongoing compliance through regular meeting. Special meeting will be convened if (i) there are new rules or regulations regarding lighting products safety or industrial standard that affect our Group's business operations and will update the internal control procedure to cope with the

new rules, requirements or industrial standard; or (ii) if there is any non-compliance with any rules or regulations, the EO Compliance Committee will recommend the remedial measures or seek independent professional advice thereon.

11. we have appointed Ample Capital as our compliance adviser upon the Listing to provide advice to our Directors and management team regarding matters relating to the GEM Listing Rules. The term of such engagement will commence on the Listing Date and end on the date on which we distribute our annual report as required under Rule 18.03 of the GEM Listing Rules for the second full financial year commencing after the Listing Date;

12. we have appointed a Hong Kong legal adviser upon the Listing to advise us on compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations and such engagement will be reviewed annually; and

13. each of our Directors of our Group has received and reviewed a memorandum prepared by our legal adviser and attended a training session conducted by our legal adviser regarding the responsibilities and duties of Directors.

Views of our Directors and the Sponsor

As summarised in the paragraphs above, our Group has adopted or will adopt certain corporate governance and internal control measures to prevent any future breaches or non-compliance incidents and ensure ongoing compliance with the relevant laws and regulations. In addition, we will engage external professional advisers to advise us on compliance matters from time to time if required. Our Internal Control Adviser (details of which are set out in the sub-section headed "Internal Control" of this section) has reviewed our internal control measures (including those measures mentioned under the paragraph headed "Regulatory and legal compliance — Measures to ensure future compliance" above) and is of the view that our Group did not have significant deficiencies in our internal control design for preventing the recurrence of the non-compliance incidents (including the non-compliance with the EO) as of the date of this prospectus. Taking into account the above, our Directors are of the view, and the Sponsor concurs that, our Group's internal control measures are adequate and effective to ensure ongoing compliance with relevant laws and regulations by our Group.

In addition, having considered that the non-compliance matters disclosed in this prospectus does not involve fraud or deceit by our Directors, our Directors are of the view, and the Sponsor concurs that, these past non-compliance incidents do not involve any dishonesty on the part of our Directors or impugn on their integrity or competence and do not affect their suitability to act as directors of a listed issuer under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules.

LITIGATION

No member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

INTERNAL CONTROL

Our Group has maintained an internal control system into its organisational structure. In preparation of the Listing, we have engaged an independent external consulting firm, PRO-WIS Risk Advisory Services Limited, as our internal control adviser (the "**Internal Control Adviser**") in July 2013 to undertake a review on our internal control system on internal control environment, risk assessment, internal control activities, information and communication, financial reporting and disclosure controls, income management, costs and expenses, human resources and remuneration, financial management and information technology. Our Internal Control Adviser mainly engages in providing a broad range of corporate governance and risk advisory, internal audit, and internal controls regulatory compliance services to its clients including listed companies and companies preparing for listing in Hong Kong.

Our Internal Control Adviser has completed the first review and follow-up review of our internal control system in November 2013 and February 2014 respectively. We have adopted the internal control measures and rectified the weaknesses in our internal control system as recommended by our Internal Control Adviser. We considered that the major findings and recommendations provided by the Internal Control Adviser and status of implementation by our Group as at the Latest Practicable Date are as follows:

Major findings	Recommendations	Status of implementation
Our Group has not requested the staff to sign acknowledgement for agreeing to comply with staff handbook	Our Group shall request the staff to sign acknowledgement to confirm that they have received, understood and agreed to comply with the staff handbook	Acknowledgement of staff handbook had been signed by the staff to evidence that they had read and understood the policies contained, and accept to perform all rules and regulations stated in the staff handbook

Major findings	Recommendations	Status of implementation
Our Group has yet to establish written risk management policies and procedures	Our Group shall establish written risk management policies and procedures including but not limited to: • risk identification and assessment procedures; • risk management framework to control and mitigate the identified risks; • follow-up procedures for the identified risks; and • reporting and documentation for risk management	Our Group has established written risk management policy
Our Group has not established formal policies and procedures to identify and react to the change of economic, industry and regulatory environment	Our Group should formulate written policies and procedures to identify and react to the change of economic, industry and regulatory environment including but not limited to: • change identification and impact assessment procedures; • follow-up procedures for the significant impact; and • reporting and documentation for change management	Our Group has established written risk management policy (including the procedures for identifying and reacting to the changing conditions of economic, industry and regulatory environment)
Our Group has not established comprehensive written policies and procedures for each business cycle	Our Group shall update written policies and procedures for each business cycle so that staff could be able to understand the standard and requirement of our Group for each business process	Our Group has formulated the following written policies and procedures: • revenue and receipt; • procurement and expenditure; • human resources and payroll; • property, plant and equipment; • inventory; • cash management and treasury; • financial reporting; • information technology for accounting system; and • taxation

Major findings	Recommendations	Status of implementation
Our Group has not formulated whistle-blowing policy for reporting improprieties	Our Group shall establish a mechanism with written policies and procedures to handle whistle-blowing. It shall include but not limited to: • policy in protecting the interest of whistle-blower; • maintenance of confidentiality; • reporting procedures; • follow-up and closure procedure; and • information of the contact person	Our Group has established a written whistle-blowing policy (including handling internal control deficiencies)
Our Group has not formulated an internal audit charters to define internal audit function	An internal audit charter shall be establish to define and identify the mission, objectives, scope, authority and accountability of the internal audit function	Our Group will engage professional parties to check the effectiveness of internal control of our Group on yearly basis, where recommended by our Audit Committee, and would consider establishing an internal audit department in the future
Our Group's staff have not had segregation of duties for some business processes	Our Group shall review the group and staff structure and maintain sufficient work force to fulfil the segregation of duties requirement	Our Group has reviewed the group structure and updated the staff plan to recruit more staff; responsibilities of certain staff have been revised to ensure segregation of duties
Our Group has not established policies and procedures so that top management has to obtain Board approval before processing non-routine payment over a certain amount	Our Group shall establish policies and procedures to govern non-routine payment transactions and determine an upper limit for the authority of top management. Prior approval from the Board shall be obtained before the payment could be made if the upper limit is exceeded	Our Group has established the policies and procedures for expenditure cycle stating that non-routine payment over HK$1,000,000 is required to obtain additional approval from the Board before the payment could be made
Our Group has no master stock record maintained in some shops at which stock-out record from warehouse are used as their stock control document	Our Group should keep master stock record at every shop as a control of their own. A point-of-sales system may be adopted to reduce human error and ineffectiveness of manually updated master stock record	Our Group has established master stock records

Major findings	Recommendations	Status of implementation
Cash sales receipt collected from our retail shop was used directly to settle amount due to our Controlling Shareholder, Mr. Hui, details of which are set out in the paragraph headed "Sales and Marketing — Cash Management" under this section	Our Group should deposit the cash receipt from shop to bank when it is over a certain amount to avoid cash misappropriation. The repayment to staff or director should be in a way of crossed cheque to ensure the amount is paid to the correct person	Our Group has established the policies and procedures for cash management and treasury cycle stating that for the cash receipt in every shop, each shop manager is responsible to deposit to the bank account in the following bank working day; original bank deposit slip has to be submitted to accounts department together with shop's daily sales receipts report on the alternative working day
Our Group has failed to make contribution to MPF for certain newly employed staff on time	Our Group should formulate control activities regarding enrollment of new employee's MPF scheme/withdrawal of resigned staff's MPF scheme and assign responsible staffs for executing and reviewing the implementation of the procedures	Our Group has established the policies and procedures for human resources cycle stating that the financial controller would be the internal control to check for all process (including enrollment of new staff/ withdrawal of resigned staff) to make sure it is in accordance with relevant regulatory requirement From September 2013 to November 2013, we have increased our number of staff responsible for handling accounting, administration and human resources matters from 6 to 8 personnel including the employment of Ms. Lam Yi Shun as our human resources manager
Our Group has failed to file the tax return and settle the profit tax on time	Our Group should establish a policy and procedure so as to prevent any late filing and late payment in future which shall include assigning a staff to monitor the settlement of the profit tax payable and the submission of the tax return on time	Our Group has established the policies and procedures for taxation cycle stating that the financial controller is responsible to monitor the tax filing to ensure the tax return is filed on or before the tax deadline and monitor the tax payment to ensure the payment is made on or before the payment deadline

BOARD OF DIRECTORS

The Board consists of 6 Directors, including 3 executive Directors and 3 independent non-executive Directors. The information of our Directors is set out below:

Name	Age	Position	Responsibilities	Date of appointment	Date of joining our Group
Mr. Hue Kwok Chiu	47	Chairman and executive Director	Overseeing the business development, operations and business expansion plans and human resources activities of our Group	26 February 2014	11 December 2013
Mr. Hui Kwok Keung Raymond	51	Chief executive officer and executive Director	Overseeing the business development, operations and devising market strategy and business expansion plans of our Group	26 February 2014	27 October 2003
Mr. Chou Hing Yan Stephen	51	Executive Director	Overseeing the business, operations and overall strategic planning and business expansion plans and accounts activities of our Group	26 February 2014	8 August 2008
Mr. Chung Wai Man	50	Independent non-executive Director	Providing independent judgment on the issue of strategy, performance, resources and standard of conduct of our Group	11 September 2014	11 September 2014
Mr. Leung Wai Chuen	48	Independent non-executive Director	Providing independent judgment on the issue of strategy, performance, resources and standard of conduct of our Group	11 September 2014	11 September 2014
Ms. Yeung Mo Sheung Ann	49	Independent non-executive Director	Providing independent judgment on the issue of strategy, performance, resources and standard of conduct of our Group	11 September 2014	11 September 2014

Executive Directors

Mr. Hue Kwok Chiu (許國釗), aged 47
Chairman and executive Director

Mr. Hue is the younger brother of Mr. Hui and was appointed as an executive Director on 26 February 2014 and the chairman of our Company on 11 September 2014.

Mr. Hue is responsible for the business development, operations and business expansion plans and human resources activities of our Group. Mr. Hue is also the head of our human resources department and compliance officer. Since Mr. Hue's performance of his role as head of human resources department is under the assistance of our human resources manager while his role as compliance officer is under the assistance of our company secretary and financial controller as well as third party professionals to be appointed by us such as legal adviser and compliance adviser, the time to be spent on these roles by Mr. Hue shall not be material. In view of that, our Company is of the view, and the Sponsor concurs that, Mr. Hue is able to manage his multiple roles in our Company.

Mr. Hue has over 15 years of business management experience. From September 1998 to August 1999, Mr. Hue worked at Shanghai Bichun Drinks Company Limited as assistant general manager and was responsible for the day to day management of the company. From January 2000 to November 2001, Mr. Hue worked at Shenzhen Lam Soon Edible Oils Co., Ltd initially as regional sales manager and thereafter as business development manager, Mr. Hue was initially responsible for overseeing sales in Shanghai region of China and thereafter responsible for overseeing the business development of the company. From July 2002 to December 2006, Mr. Hue was the sales and marketing director of ASL International Co., Ltd and was responsible for the marketing of drinks products in the PRC. From March 2007 to August 2011, Mr. Hue worked at Lee & Man Paper Manufacturing Limited, a company listed on the Main Board of the Stock Exchange. His last position was a senior purchasing manager and was responsible for procurement of coal and production raw materials. After Mr. Hue left Lee & Man Paper Manufacturing Limited, he became the legal representative of a private company in Suzhou, PRC which is engaged in restaurant management and services, Mr. Hue was responsible for the overall management, business development and strategy of the company.

Mr. Hue obtained a Bachelor of social sciences degree from the University of Hong Kong in December 1989.

Mr. Hue holds directorships in the following member of our Group:

Name of company	Place of incorporation	Position held	Period of service
Top Triumph Global Limited	BVI	director	11 December 2013 to present

Mr. Hue does not hold any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Hui Kwok Keung Raymond (許國強), aged 51
Executive Director and chief executive officer

Mr. Hui is one of the founders of our Group and was appointed as an executive Director on 26 February 2014 and chief executive officer of our Group on 11 September 2014. Mr. Hui is responsible for the business development, operations and devising market strategy and business expansion plans of our Group. Mr. Hui is the elder brother of Mr. Hue.

Mr. Hui has over 19 years of experience in lighting and furniture retails business in Hong Kong. Mr. Hui set up his first lamps retail business, Pearl Lighting Co. in August 1994 and was responsible for the day to day management and operation of the business. In August 1996, Mr. Hui set up another lamps retail business, Pearl Lighting Collection and was responsible for the day to day management and operation of the business. In October 2003, Mr. Hui together with Mr. Chou founded Central Sky, the first member of our Group, as lighting products retailer and over the years our Group diversified into designer label furniture and accessory products retailing.

Mr. Hui obtained a Bachelor of arts degree from the University of Hong Kong in November 1985 and a Master of design degree from the Hong Kong Polytechnic University in November 2010.

Mr. Hui holds directorships in various companies within our Group, including:

Name of company	Place of incorporation	Position held	Period of service
Top Triumph Global Limited	BVI	director	11 December 2013 to present
Central United Global Limited	BVI	director	18 November 2010 to present
Elegant Chain Development Limited	BVI	director	8 August 2008 to present
Central Sky Holdings Limited	Hong Kong	director	27 October 2003 to present
Element Lighting Design Limited	Hong Kong	director	11 May 2005 to present
Good Harvest Surplus Limited	Hong Kong	director	15 June 2011 to present
228 Inc Limited	Hong Kong	director	11 December 2013 to present
RS Holdings Limited	Hong Kong	director	8 January 2014 to present
E Lighting Group Limited	Hong Kong	director	8 January 2014 to present

Mr. Hui does not hold any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chou Hing Yan Stephen (仇慶仁), aged 51
Executive Director

Mr. Chou is one of the founders of our Group and was appointed as an executive Director on 26 February 2014. Mr. Chou is responsible for the business, operations and overall strategic planning and business expansion plans and accounts activities of our Group. Mr. Yeung, is the brother in-law of Mr. Chou.

Mr. Chou has over 10 years of experience in lighting and furniture retails business in Hong Kong. From September 1991 to March 1997, Mr. Chou worked at Tricom Telecom Limited initially as a senior marketing executive and thereafter as account manager, responsible for managing and handling customer accounts with the company. From February 2000 to September 2006, Mr. Chou worked at Datawin Limited initially as a customer service manager and thereafter as buyer service director and finally as product development director and his responsibilities was initially the management of customer services and thereafter the overseeing of provision of buyer service by the company and finally the overall product development and strategy. In October 2003, Mr. Chou together with Mr. Hui founded Central Sky, the first member of our Group, as lighting products retailer and over the years our Group diversified into designer label furniture and accessory products retailing.

Mr. Chou obtained a Bachelor's degree in commerce from McMaster University of Canada in June 1987.

Mr. Chou holds directorships in various companies within our Group, including:

Name of company	Place of incorporation	Position held	Period of service
Top Triumph	BVI	director	11 December 2013 to present
Central United Global Limited	BVI	director	18 November 2010 to present
Elegant Chain Development Limited	BVI	director	8 August 2008 to present

Mr. Chou does not hold any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Independent non-executive Director

Mr. Chung Wai Man (鍾偉文), aged 50
Independent non-executive Directors

Mr. Chung was appointed as an independent non-executive Director on 11 September 2014. Mr. Chung is responsible for providing independent judgment on the issue of strategy, performance, resources and standard of conduct of our Group. He is the chairman of the Remuneration Committee as well as a member of the Audit Committee and the Nomination Committee.

Mr. Chung obtained a Bachelor's degree (honours) in social sciences from the University of Hong Kong in December 1989 and a Master's degree in international business management from the City University of Hong Kong in November 1998.

Mr. Chung became an associate member of the Hong Kong Institute of Certified Public Accountants (then known as the Hong Kong Society of Accountants) in April 1995 and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in November 1999.

Mr. Chung has over 18 years of experience in accounting, taxation and finance. He is currently the chief financial officer of Passion Art International Holdings Limited. Prior to this, Mr. Chung held a managerial position with Deloitte Touche Tohmatsu for about five years from July 1995 to August 2000. Mr. Chung was the chief financial officer of Artel Solutions Group Holdings Limited from August 2000 to August 2002, which is listed on the Main Board of the Stock Exchange (stock code: 931). Mr. Chung was the chief financial officer and company secretary of Venturepharm Laboratories Limited from August 2002 to September 2003, which is listed on GEM (stock code: 8225). Mr. Chung was the chief financial officer of Silver Base Group Holdings Limited from May 2004 to September 2010, which is listed on the Main Board of the Stock Exchange (stock code: 886).

Mr. Chung does not hold any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Leung Wai Chuen (梁偉泉), aged 48
Independent non-executive Director

Mr. Leung was appointed as an independent non-executive Director on 11 September 2014. Mr. Leung is responsible for providing independent judgment on the issue of strategy, performance, resources and standard of conduct of our Group. He is the chairman of the Audit Committee as well as a member of the Remuneration Committee and the Nomination Committee.

Mr. Leung obtained a Bachelor's degree in social sciences from the University of Hong Kong in December 1989, a Master's degree in business administration jointly awarded by the University of Wales and the University of Manchester in July 2001 by distance learning and a Master's degree in business (logistics management) from Royal Melbourne Institute of Technology (now known as RMIT University) in September 2007 by distance learning.

Mr. Leung is a practising member of the HKICPA, a fellow of the Association of Chartered Certified Accountants of the United Kingdom and an associate of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) and Institute of Chartered Secretaries and Administrators respectively.

Mr. Leung has over 23 years of experience in auditing, accounting and financial management and company secretarial matters. Mr. Leung is the company secretary of Grand Ming Group Holdings Limited since July 2013, a company listed on the Main Board of the Stock Exchange (stock code：1271). Prior to this, Mr. Leung had worked at the audit department of Price Waterhouse (now known as PricewaterhouseCoopers) from August 1989 to July 1992. Mr. Leung then held senior finance/audit positions in several private companies from July 1992 to March 2000. Mr. Leung had also worked for companies listed on the Stock Exchange, as an accountant at China Overseas Land & Investment Limited, a company listed on the Main Board of the Stock Exchange (stock code: 688) from May 2000 to September

2001. Mr. Leung had worked as a financial controller at WLS Holdings Limited, a company listed on GEM (stock code: 8021) from December 2001 to December 2004. Mr. Leung then worked at Sinobest Technology Holdings Ltd, a company listed on the Main Board of the Singapore Exchange Limited, as a chief financial officer from May 2005 to August 2008. Mr. Leung then worked as financial controller at Neo-Neon Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1868) from December 2008 to May 2009 and as company secretary from February 2009 to May 2009. Mr. Leung then worked as the chief financial officer from June 2009 to May 2012 and company secretary from March 2011 to May 2012 of Tang Palace (China) Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1181).

Save as disclosed above, Mr. Leung has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Ms. Yeung Mo Sheung Ann (楊慕嫦), aged 49
Independent non-executive Director

Ms. Yeung was appointed as an independent non-executive Director on 11 September 2014. Ms. Yeung is responsible for providing independent judgment on the issue of strategy, performance, resources and standard of conduct of our Group. She is the chairman of the Nomination Committee as well as a member of the Audit Committee and the Remuneration Committee.

Ms. Yeung obtained a Bachelor of arts degree in Retail Marketing with honours from the Manchester Metropolitan University in the United Kingdom in June 1994. She pursued her further study on legal course and obtained a Diploma in legal practice from the Manchester Metropolitan University in the United Kingdom in July 1998.

Ms. Yeung became a qualified solicitor of Hong Kong in December 2000.

Ms. Yeung has over 13 years of experience in legal field in private practise working with various law firms in Hong Kong. She is currently a legal consultant of Messrs. Wong & Wong Solicitors since July 2012.

Ms. Yeung is currently an independent non-executive director of Success Universe Group Limited (stock code: 487, formerly known as Macau Success Limited) and Dejin Resources Group Company Limited (stock code: 1163), both companies whose issued shares are listed on the Main Board of the Stock Exchange.

Ms. Yeung is currently also an independent non-executive director of Merdeka Resources Holdings Limited, which is listed on GEM (stock code: 8163). Ms. Yeung was also an independent non-executive director of Hao Wen Holdings Limited from January 2011 to July 2014, which is listed on the GEM (stock code: 8019).

Save as disclosed, Ms. Yeung has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

SENIOR MANAGEMENT

Our senior management comprises our executive Directors, our company secretary and the following person:

Name	Age	Position/Title	Date of joining our Group
Mr. Wong Peng Lin (黃炳煉)	41	Operation manager	1 December 2003
Mr. Chang David (張大偉)	44	Business development manager	3 October 2012
Mr. Yun Hon Man (袁漢民)	47	Financial controller	1 March 2013
Ms. Lam Yi Shun (林依純)	30	Human resources manager	15 October 2013

Mr. Wong Peng Lin (黃炳煉), aged 41, is the operation manager of our Group. Mr. Wong joined our Group on 1 December 2003. He is primarily responsible for supervising the day to day operation of our retail stores in Hong Kong. Mr. Wong has over 10 years of experience in lighting retail business in our Group. Mr. Wong does not hold any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chang David (張大偉), aged 44, is the business development manager of our Group. Mr. Chang joined our Group on 3 October 2012, he is primarily responsible for overseeing the business development of our Group in Hong Kong. Mr. Chang is also responsible to oversee compliance with safety requirements of all lighting and electrical products offered for sale at our retail stores, monitor the latest development on safety requirements and to enhance closer communications between us and our suppliers in respect of the safety and certification requirements for lighting and electrical products in Hong Kong. Mr. Chang has over 15 years of experience in lighting business in Hong Kong. Prior to joining our Group in October 2012, Mr. Chang worked as sales supervisor from 1997 to 2008 and sales manager from 2008 to 2012 at Rio Industrial Limited. Mr. Chang does not hold any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Yun Hon Man (袁漢民), aged 47, is the financial controller of our Group. Mr. Yun joined our Group on 1 March 2013.

Mr. Yun obtained a Master degree of business administration from the University of Western Sydney in Australia in August 2007 through long distance learning course. Mr. Yun is member of the Institute of Chartered Accountants in England & Wales since June 2005, a member and a fellow member of the Association of Chartered Certified Accountants since May 2001 and May 2006, respectively, and a member of the Hong Kong Institute of Certified Public Accountants since April 2001.

Mr. Yun has over 6 years of experience in corporate consultancy work. Prior to joining our Company, he had worked as chief operating officer and treasurer and as corporate controller for a number of companies listed in NASDAQ Capital Market and OTC Bulletin Board in the United States.

Mr. Yun was an independent director of Chisen Electric Corporation between November 2008 to February 2013, whose shares were listed on the OTC Bulletin Board in the United States between November 2008 and February 2013. Mr. Yun was an independent director of CH Lighting International Corporation between July 2008 to July 2012, whose shares were listed on the OTC Bulletin Board in the United States between December 2000 and January 2013. Mr. Yun was also an independent director of Xinde Technology Company between January 2010 to October 2012, whose shares are listed on the OTC Bulletin Board in the United States.

Save as disclosed above, Mr. Yun has not been a director of any other publicly listed company during the past three years.

Ms. Lam Yi Shun (林依純), aged 30, is the human resources manager of our Group. Ms. Lam is responsible for overseeing the human resource and administrative activities of our Group.

Ms. Lam obtained a Bachelor's degree in human resource management from the University of Northumbria in England in July 2009 through long distance learning course.

Ms. Lam has over 6 years of human resources experience. Prior to joining our Group on 15 October 2013, she had worked in the human resources department for a number of listed and multinational companies. Ms. Lam does not hold any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Mr. Lam Chi Yan, aged 31, was appointed as our company secretary on 27 June 2014. Mr. Lam obtained a Bachelor of business administration (honours) in accountancy from the City University of Hong Kong in November 2005 and is a member of the Hong Kong Institute of Certified Public Accountants since September 2008. He has over 8 years of experience in accounting, auditing, company secretarial and tax consultancy field.

Mr. Lam does not hold any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

COMPLIANCE OFFICER

Mr. Hue Kwok Chiu is the compliance officer of our Company. For details of his biography, please refer to the sub-section headed "Executive Directors" of this section.

COMPLIANCE ADVISER

Our Company has appointed Ample Capital as our compliance adviser in accordance with Rule 6A.19 of the GEM Listing Rules. The compliance adviser will advise our Company on ongoing compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. The material terms of the compliance adviser's agreement entered into between our Company and the compliance adviser are summarised as follows:

(a) the compliance adviser shall be appointed for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier;

(b) the compliance adviser shall provide our Company with guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable laws, rules, codes and guidelines;

(c) our Company will indemnify the compliance adviser for certain actions against it and losses incurred by it arising out of or in connection with the performance by the compliance adviser of its duties under the agreement; and

(d) our Company shall have the right, without compensation to terminate the appointment of the compliance adviser under the agreement only if the compliance adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within thirty days) over fees payable by our Company to the compliance adviser as permitted by Rule 6A.26 of the GEM Listing Rules. The compliance adviser shall have the right to resign or terminate its appointment as a compliance adviser in accordance with the terms of the agreement.

AUDIT COMMITTEE

Our Company has established an Audit Committee on 11 September 2014 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise our financial reporting process and internal control system. The Audit Committee has three members comprising Mr. Chung Wai Man, Mr. Leung Wai Chuen and Ms. Yeung Mo Sheung Ann, of whom Mr. Leung Wai Chuen has been appointed as the chairman of the Audit Committee.

REMUNERATION COMMITTEE

Our Company has established a Remuneration Committee on 11 September 2014 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Chung Wai Man, Mr. Leung Wai Chuen and Ms. Yeung Mo Sheung Ann. Mr. Chung Wai Man is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to the Board on our policy and structure for all remuneration of our Directors and senior management.

NOMINATION COMMITTEE

Our Company has established a Nomination Committee on 11 September 2014 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The Nomination Committee comprises three independent non-executive Directors, namely Mr. Chung Wai Man, Mr. Leung Wai Chuen and Ms. Yeung Mo Sheung Ann. Ms. Yeung Mo Sheung Ann has been appointed as the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors.

EMPLOYEES

As at the Latest Practicable Date, we employed 49 full-time employees (excluding our Directors). The following table sets forth the total number of employees by job function:

Job function	Number
Business development and operations	3
Retail merchandising	33
Logistic and warehousing	2
Accounting, administration and human resources	9
Repair and maintenance	2
Total	49

OUR RELATIONSHIP WITH EMPLOYEES

We recognise the importance of having a good relationship with its employees. We offer our employees competitive compensation packages, which are intended to attract and retain qualified personnel.

We believe that we maintain a good working relationship with our employees and we have not experienced any difficulty in recruiting staff for our operations. Our employees are not represented by any collective bargaining agreements or labor unions.

REMUNERATION OF DIRECTORS AND STAFF

Each of our executive Directors and independent non-executive Directors has respectively entered into a service agreement with our Company for an initial fixed term of two years from their respective dates of appointment, which will continue thereafter until terminated by not less than three months' written notice or payment in lieu to the other party.

Each of our executive Directors will receive a fee which is subject to an annual adjustment at a rate to be determined at the discretion of the Board. The aggregate amount of fees, salaries, housing allowances, other allowances and benefits in kind paid by us to our Directors for the years ended 31 March 2013 and 2014 was HK$1,694,000 and HK$1,644,000, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by us to our Directors for the years ended 31 March 2013 and 2014 was HK$31,000 and HK$30,000 respectively.

Save as disclosed above, no other payments have been made or are payable by our Company to our Directors, in respect of the Track Record Period. Our Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by us to our Directors will be approximately HK$1,644,000 for the year ending 31 March 2015.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to us. Details of the terms of the service agreements are set out in the sub-section headed "Further Information about our Directors, Substantial Shareholders and Experts" in Appendix IV to this prospectus.

We have adopted incentive bonus schemes, during the Track Record Period, and continue to maintain these schemes, seeking to align the financial well-being of ourselves with that of the employees, and to retain our staff of high calibre. We consider that our staff are offered basic salaries commensurate with market levels.

Our five highest paid individuals during the Track Record Period include 2 Directors. Details of remuneration paid to the remaining 3 highest paid individuals, which are individually below HK$1,000,000, are disclosed in the Accountants' Report in Appendix I to this prospectus.

RETIREMENT BENEFIT SCHEME

In Hong Kong, we participate in the mandatory provident fund scheme prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong and save as disclosed in the sub-section headed "Business — Regulatory and Legal Compliance" of this prospectus, we have made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, we have not participated in any other pension schemes.

INTERESTS AND/OR SHORT POSITION DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As far as our Directors are aware, immediately following completion of the Placing (but without taking into account the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme which would affect disclosure in this paragraph) and the Capitalisation Issue, the following persons (other than a Director or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, 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 member of our Group:

Name	Capacity/Nature of interest	Number of Securities *(Note 1)*	Approximate percentage of shareholding (%)
Mr. Hui	Interest in controlling corporation	210,000,000 (L) *(Note 2)*	52.5%
Time Prestige	Beneficial Owner	210,000,000 (L)	52.5%
Mr. Hue	Interest in controlling corporation	45,000,000 (L) *(Note 3)*	11.25%
Star Adventure	Beneficial owner	45,000,000 (L)	11.25%
Ms. Ng Hiu Ying	Interest of spouse	45,000,000 (L) *(Note 4)*	11.25%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of our Company.

2. Shares in which Mr. Hui is interested consist of 210,000,000 Shares held by Time Prestige, a company wholly-owned by Mr. Hui.

3. Shares in which Mr. Hue is interested consist of 45,000,000 Shares held by Star Adventure, a company wholly-owned by Mr. Hue.

4. Ms. Ng Hiu Ying is the spouse of Mr. Hue. Under the SFO, Ms. Ng is deemed to be interested in the same number of Shares in which Mr. Hue is interested.

Mr. Hue is the younger brother of Mr. Hui.

Save as disclosed herein, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Placing (but without taking into account the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme which would affect disclosure in this paragraph) and the Capitalisation Issue, will have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, 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 member of our Group.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Placing (but without taking into account the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme) and the Capitalisation Issue, Time Prestige, which is wholly-owned by Mr. Hui, will effectively hold approximately 52.5% of the total issued share capital of our Company. Time Prestige will collectively continue to control more than 30% of the issued share capital of our Company after the Listing. As such, Mr. Hui and Time Prestige will remain as Controlling Shareholders after the Placing and the Capitalisation Issue.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from the Controlling Shareholders and its close associates after the Listing.

Excluded business of our Controlling Shareholders

During the Track Record Period, Mr. Hui, our ultimate Controlling Shareholder, an Executive Director and chief executive officer of our Company, also had interest in one other business in the wholesale of lighting products through CB Lighting Company Limited ("**CB Lighting**"), a company incorporated in Hong Kong on 22 April 2006 with limited liability and had an issued share capital of HK$10 which was 70% owned by Mr. Hui and 30% owned by an Independent Third Party. For the year ended 31 March 2013, CB Lighting recorded a net profit of approximately HK$95,000. CB lighting was deregistered with effect from 12 March 2014 and it was dissolved by deregistration on 1 August 2014 and its result for the year ended 31 March 2014 was negligible.

Our Directors are aware of possible direct sales of lighting products that may be conducted by CB Lighting to interior decoration contractors. Such direct sales may constitute competition with the retail business of lighting products carried out by our Group. Moreover, having considered that (i) the scale of CB Lighting was relatively small with turnover of less than HK$1 million for the year ended 31 March 2013; and (ii) there was no business relationship between the owner of the remaining 30% equity interest of CB Lighting and the other existing shareholders of our Company, being Mr. Hue, Mr. Chou and Mr. Yeung. Mr. Hui, being the 70% majority shareholder of CB Lighting was the driving force behind its wholesale and direct sales of lighting products business, had decided not to involve in the business operation of CB Lighting further in order to avoid potential competition with the retail business of lighting products carried out by our Group, the 30% minority shareholder of CB Lighting considered that he could not have carried on the business of CB Lighting by himself without the involvement of Mr. Hui, as a result Mr. Hui had decided not to include CB Lighting into our Group and Mr. Hui together with the 30% minority shareholder of CB Lighting agreed to cease all business of CB Lighting on 31 March 2013. On 22 January 2014, it was resolved that CB Lighting be deregistered and CB Lighting had commenced the process of deregistration by applying to the IRD to request the Commissioner of IRD to issue a written notice that he had no objection to CB Lighting being deregistered by the Registrar of Companies pursuant to section 291AA of the Predecessor Companies Ordinance.

On 25 February 2014, IRD issued the notice of no objection to CB Lighting being deregistered by the Registrar of Companies. On 7 March 2014, CB Lighting applied to the Companies Registry of Hong Kong ("**CR**") for the deregistration. On 12 March 2014, CB Lighting has received a letter from CR to approve the proposed deregistration of CB Lighting and states that a notice of the proposed deregistration of company will be published in the Gazette. If no objection is received by CR within 3 months after the date of the publication of the said notice, another notice will be published in the Gazette declaring the company to be deregistered and dissolved.

On 1 August 2014, CB Lighting was dissolved by deregistration.

During the two years ended 31 March 2013 and 2014, our Group had the following transactions with CB Lighting:

	Year ended 31 March	
Nature	**2013**	**2014**
	HK$'000	**HK$'000**
Purchases	30	—
Sales	52	—

Financial independence

During the Track Record Period, we had obtained financial assistance from Mr. Hui by way of loan which was unsecured, interest free and repayable on demand as set out in Note 17 "Amount Due To A Controlling Shareholder" to the Accountants' Report in Appendix I to this prospectus.

Notwithstanding the above, our Group has an independent financial and accounting systems, independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to its own business needs.

In view of our Group's internal recourses and the estimated net proceeds from the Placing, our Directors believed that our Group will have sufficient capital for our financial needs without dependence on our Controlling Shareholders. Our Company has obtained a letter of intent from a bank to provide banking facilities to our Company, subject to the terms and conditions to be mutually agreed between the bank and our Company, which our Directors consider will be a normal commercial terms and conditions, and upon the successful listing of our Company on GEM. In view of that, our Directors consider that, upon Listing, our Group is capable of obtaining financing from external source independently without the support of our Controlling Shareholders.

Our Directors confirm that as at the Latest Practicable Date, all loan due to Mr Hui had been fully settled by us and our Controlling Shareholders have not provided any guarantee or loan to our Group, nor any other party has provided any guarantee in favour of our Group.

Management independence

The Board comprises of 3 executive Directors and 3 independent non-executive Directors. Mr. Hui, being an executive Director and the chief executive officer of our Company, is also the ultimate Controlling Shareholder of our Company. Each of our Directors is aware of his fiduciary duties as a director which require, amongst other things, that he/she must act in the best interest and for the benefit of our Company and not allow any conflict between his/her duties as a Director and his/her personal interest. A Director shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting. Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational independence

Our Group has established its own organisation structure made up of individual departments, each with specific areas of responsibilities. Our Group has not shared any operation resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their close associates during the Track Record Period. Our Group has also established a set of internal control policies and guidelines to facilitate the effective operation of our business.

During the Track Record Period, our Group had entered into certain transactions with its related parties as set out in Note 21 "Related Party Transactions" to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that as at the Latest Practicable Date, our Group does not have any transaction with any related party.

Save as set out above that during the year ended 31 March 2013, our Group had the purchase and sales transactions with CB Lighting, all our suppliers are independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their close associates and have our independent access to our suppliers for provision of goods and services.

REASONS FOR NON-INCLUSION OF CB LIGHTING IN OUR GROUP

We are a retailer of lighting and designer label furniture and accessory products and we intend to continue to focus on this line of business after the Listing. Moreover, the inclusion of CB Lighting's lighting product wholesale business to our Group may create potential conflict with our suppliers.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Our Controlling Shareholders have entered into a deed of non-competition (the "**Deed of Non-competition**") with our Company on 11 September 2014 pursuant to which our Controlling Shareholders have, among other things, irrevocably and unconditionally undertaken with our Company (for itself and for the benefit of each of the members of our Group) that with effect from the date of Listing and for as long as the Shares remain so listed on GEM and our Controlling Shareholders collectively with any of their close associates interested directly or indirectly in not less than 30% of the issued ordinary share capital of our Company:

(a) our Controlling Shareholders shall not, and shall procure their respective close associates (other than any member of our Group) not to:

   (i) directly or indirectly, be interested or involved or engaged in or acquire or hold interest (in each case whether as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business in competition with or likely to be in competition with existing business activity of our Group and any business activities undertaken by our Group from time to time (the "**Business**") in Hong Kong and any other country or jurisdiction to which our Group provides its products, services and/or in which any member of our Group carries on business mentioned above from time to time; and

   (ii) directly or indirectly, solicit, interfere with or endeavour to entice away from any member in our Group any person, firm, company or organisation who to its or his knowledge is now or has been a client, supplier or employee of any member in our Group;

(b) if any opportunity in carrying out or investing in any business which forms part of the Business is made available to our Controlling Shareholders or their close associates (other than any member of our Group), and such business opportunity competes or may compete with the Business (the "**Competing Business Opportunity**"):

(i) they shall direct to our Group any such Competing Business Opportunity and provide to our Company all information and documents possessed by them in respect of the Competing Business Opportunity to enable our Company to evaluate the merit of the Competing Business Opportunity and such assistance as requested by our Company may reasonable require to enable our Group to secure the Competing Business Opportunity;

(ii) they shall not pursue the Competing Business Opportunity unless and until our Company gives written notice to them that our Group will not pursue such Competing Business Opportunity;

(iii) our independent non-executive Directors will form ad hoc committee to consider the Competing Business Opportunity when arisen and they are empowered to engage professional advisors at our costs for advices on matters relating to the Competing Business Opportunity and make recommendation to our Board to consider whether our Group should pursue with such Competing Business Opportunity or not; and

(iv) our Board will ensure that any Director having any interest in any Competing Business Opportunity shall be required to absent from participation in the meeting of the Board to consider and vote on any resolution of the Board relating to any Competing Business Opportunity.

CORPORATE GOVERNANCE MEASURES

Although our Controlling Shareholders have confirmed that it/he does not have any interest in a business which competes or is likely to compete, directly or indirectly with our Company, our Company will nevertheless adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders, if any, and to safeguard the interests of the Shareholders:

(a) the independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-competition undertakings by our Controlling Shareholders;

(b) our Controlling Shareholders have undertaken and agreed to provide all information necessary for the annual review by our independent non-executive Directors on the compliance with and enforcement of the Deed of Non-competition;

(c) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company;

(d) our Controlling Shareholders have undertaken and agreed to make an annual declaration on the compliance with and enforcement of the Deed of Non-competition in our Company's annual report; and

(e) our Directors operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested.

COMPETING INTEREST

Our Directors, to the best of their knowledge, information and belief, have confirmed that, none of our Controlling Shareholders, the substantial shareholders of our Company, our Directors and their respective close associates is interested in any business which competes, or may compete, directly or indirectly, with the business of our Company.

BUSINESS OBJECTIVE

Our business objective is to consolidate our positioning as a distinguishing brand manager in Hong Kong with quality lighting and designer label designer label furniture and accessory products and to become the customer choice in Hong Kong for these products, at the same time to capture increasing market share through the establishment of more retail outlets. We aim to achieve our business objective by adopting the business strategies as set out below.

FUTURE PLANS AND BUSINESS STRATEGIES

We intend to implement our following plans, each of which is discussed in detail, in the sub-section headed "Business — Our strategies and future prospect" of this prospectus:

1. further expansion of our retail floor area, principally through the establishment of new retail outlets in Hong Kong, to further bolster our sales capacity and capture increasing market share;

2. strengthen the marketing and promotion of our own branding of trademarks;

3. explore and solicit new incoming international brands and designer labels of potential;

4. position ourselves to capture the flourishing LED market; and

5. enhance our logistic management, including the procurement of additional warehousing facilities in Hong Kong.

IMPLEMENTATION PLANS

In pursuance of the business objectives set forth above, we intend to pursue our implementation plans set forth below.

We anticipate the implementation of our future plans could be sufficiently funded by net proceeds from the Placing as well as internal resources of cash flow to be generated from our operation. As a significant portion of the net proceeds from the Placing is planned for the establishment of new retail outlets, we expect our operating overheads including operating lease rentals and staff cost to increase in the future. Expect for the foregoing, we do not anticipate any other significant financial impact which would arise from the implementation of our future plans and business strategies.

Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the sub-section headed "Bases and assumptions" below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" of this prospectus.

Our actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that our plans will materialise in accordance with our expected time frame or that our objective will be accomplished at all.

Whilst the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans.

Set out below is our implementation plans from the Latest Practicable Date to 31 March 2017:

	From the Latest Practicable Date to 31 March 2015	**For the six months ending 30 September 2015**	**For the six months ending 31 March 2016**	**For the six months ending 30 September 2016**	**For the six months ending 31 March 2017**
Expansion of retail floor area (including LED specialty stores, lighting stores, lighting & furniture combined stores) *(Note 1)*	— explore and identify new districts suitable for new retail outlets	— explore and identify new districts suitable for new retail outlets	— explore and identify new districts suitable for new retail outlets	— explore and identify new districts suitable for new retail outlets	— explore and identify new districts suitable for new retail outlets
	— negotiate and incept tenancy agreements to enable the anticipated expansion of floor area by an additional 3,000 sq.ft.	— negotiate and incept tenancy agreements to enable the anticipated expansion of floor area by an additional 3,000 sq.ft.	— negotiate and incept tenancy agreements to enable the anticipated expansion of floor area by an additional 3,000 sq.ft.	— negotiate and incept tenancy agreements to enable the anticipated expansion of floor area by an additional 3,000 sq.ft.	— negotiate and incept tenancy agreements if possible (no expansion target identified for such period as at the Latest Practicable Date)
	— renovation and furnishing of new retail outlets	— renovation and furnishing of new retail outlets	— renovation and furnishing of new retail outlets	— renovation and furnishing of new retail outlets	— renovation and furnishing of new retail outlets if possible (no expansion target identified for such period as at the Latest Practicable Date)

Note 1: The breakdown of the expansion plan by geographical area and by business focus and nature are set out in the sub-section headed "Business — Our strategies and future prospect" of this prospectus.

	From the Latest Practicable Date to 31 March 2015	For the six months ending 30 September 2015	For the six months ending 31 March 2016	For the six months ending 30 September 2016	For the six months ending 31 March 2017
Marketing and promotion of our own branding of trademarks	— launch media advertising and promotion in newspaper, magazine, etc.	— launch media advertising and promotion in newspaper, magazine, etc.	— disseminate promotional materials on our quality lighting products	— disseminate promotional materials on our quality lighting products	— disseminate promotional materials on our quality lighting products
Solicit new incoming brands to expand product range *(Note 2)*	— probe and explore further new brands of potential	— probe and explore further new brands of potential	— probe and explore further new brands of potential	— probe and explore further new brands of potential	— probe and explore further new brands of potential
Position ourselves to capture LED market	— monitor latest development of policies for replacing Incandescent Light Source with LED	— monitor latest development of policies for replacing Incandescent Light Source with LED	— monitor latest development of policies for replacing Incandescent Light Source with LED	— monitor latest development of policies for replacing Incandescent Light Source with LED	— monitor latest development of policies for replacing Incandescent Light Source with LED
	— expand our Panasonic LED product range	— expand our Panasonic LED product range	— expand our Panasonic LED product range		
Strengthen logistic management	— implement new technological system ware for point-of-sale inventory monitoring for new retail outlets	— implement new technological system ware for point-of-sale inventory monitoring for new retail outlets	— implement new technological system ware for point-of-sale inventory monitoring for new retail outlets	— implement new technological system ware for point-of-sale inventory monitoring for new retail outlets	— implement new technological system ware for point-of-sale inventory monitoring for new retail outlets
	— explore and identify new suitable warehousing facilities	— negotiate and incept tenancy agreement for new warehousing facilities and commence renovation works	— commence operation of new warehousing facilities		

Note 2: The exploration and appraisal of new brands may or may not yield positive result. Only where we identify the new brands to have promising potential shall we proceed to the stage of business negotiation for solicitation into our business portfolio, and in those cases the final outcome of business negotiation is uncertain.

The following table shows the breakdown of the estimated payment schedule for our implementation plans. All source of funding is to be derived from Listing proceeds without exception:

	From the Latest Practicable Date to 31 March 2015	For the six months ending 30 September 2015	For the six months ending 31 March 2016	For the six months ending 30 September 2016	For the six months ending 31 March 2017	Total
	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Expansion of LED specialty store retail floor area	2.8	2.8	2.8	2.8	—	11.2
Expansion of lighting store retail floor area	2.8	2.8	2.8	2.8	—	11.2
Expansion of lighting & furniture combined store retail floor area	2.8	2.8	2.8	2.8	—	11.2
Marketing and promotion of our own branding of trademarks	0.5	0.5	0.5	0.5	0.5	2.5
Strengthen logistic management	0.1	2.4	0.1	0.1	—	2.7
Total	9.0	11.3	9.0	9.0	0.5	38.8

BASES AND ASSUMPTIONS

Our business objectives set out above are based on the following principal bases and assumptions:

General assumptions

(1) We are not materially adversely affected by any changes in existing government policies or political, legal (including changes in legislations or regulations or rules), fiscal market, or economic conditions in Hong Kong in which we carry or will carry on business.

(2) We are not materially or adversely affected by any changes in bases or rates of taxation or duties in Hong Kong or in any other places in which our Group companies operate or are incorporated.

(3) We are not materially or adversely affected by any changes in inflation rates, interest rates or exchange rates from those currently prevailing.

Specific assumptions

(1) The Placing will be completed in accordance with and as described in the section headed "Structure and Condition of the Placing" of this prospectus.

(2) We are not adversely affected by any of the risk factors set out in the section headed "Risk Factors" of this prospectus.

(3) We will be able to identify suitable locations for establishment of our new retail outlets in Hong Kong.

(4) We will be able to liaise and incept tenancies for our new retail outlets on a timely basis and satisfactory commercial terms.

(5) There will be no adverse change in directions regarding government policies for gradual replacement of Incandescent light source by LED.

(6) We will be able to retain our key staff and members with our management team.

(7) We will not encounter any significant problems or disruptions adversely affecting our operations or business objectives, including but not limited to serious accidents, natural or political disasters, labour disputes, litigations affecting our operations or any other force majeure events.

REASONS FOR THE PLACING

The reason for the Placing is to enhance our capital base and provide us additional funding to pursue the implementation plans under the sub-section headed "Business Objectives and Strategies — Implementation Plans" of this prospectus.

Our Directors believe the estimated net proceed from the Placing of HK$39.2 million (after deducting the related underwriting fees and expenses payable in relation to the Listing of approximately HK$15.8 million) will help our Group to implement its business strategies. In addition, our Directors expect the Listing will bring the following additional benefits to our Group and our shareholders:

1. access to the capital market for future growth;
2. assist our Group in positioning itself as the point of choice for quality, innovative, design branded lighting and designer label furniture in Hong Kong; and
3. enhance the transparency of our Group's operation.

USE OF PROCEEDS

We consider that net proceeds from the Placing 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 Objectives and Strategies" of this prospectus.

We estimate that the net proceeds from the Placing (after deducting underwriting fees and estimated expenses payable by ourselves in connection with the Placing) will be approximately HK$39.2 million after deducting the underwriting commission and total Listing expenses in the amount of approximately HK$15.8 million, payable by our Company from the gross proceeds from the Placing, and based on a Placing Price of HK$0.55 per Placing Share (being the mid-point of the Placing Price range between HK$0.5 and HK$0.6 per Placing Share), assuming the Offer Size Adjustment Option is not exercised. It is at present intended that the net proceeds will be applied for the period from the Latest Practicable Date to 31 March 2017 are as follows:

	From the Latest Practicable Date to 31 March 2015	For the six months ending 30 September 2015	For the six months ending 31 March 2016	For the six months ending 30 September 2016	For the six months ending 31 March 2017	Total
	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Expansion of LED specialty store retail floor area	2.8	2.8	2.8	2.8	—	11.2
Expansion of lighting store retail floor area	2.8	2.8	2.8	2.8	—	11.2
Expansion of lighting & furniture combined store retail floor area	2.8	2.8	2.8	2.8	—	11.2
Marketing and promotion of our own branding of trademarks	0.5	0.5	0.5	0.5	0.5	2.5
Strengthen logistic management	0.1	2.4	0.1	0.1	—	2.7
Total	9.0	11.3	9.0	9.0	0.5	38.8

Approximately HK$11.2 million, representing approximately 28.6% of the estimated net proceeds, will be applied for the expansion of new LED specialty store retail floor area, at this stage expected to be accomplished principally through the opening of new LED specialty stores.

Approximately HK$11.2 million, representing approximately 28.6% of the estimated net proceeds, will be applied for the expansion of new lighting store retail floor area, at this stage expected to be accomplished principally through the opening of new lighting stores.

Approximately HK$11.2 million, representing approximately 28.6% of the estimated net proceeds, will be applied for the expansion of new lighting and designer furniture combined store retail floor area, at this stage expected to be accomplished principally through the opening of new lighting and designer furniture combined stores.

We anticipate the financing involved for the expansion of LED specialty store retail floor area, lighting store retail floor area and lighting and designer furniture combined store retail floor area will comprise of capital expenditures of renovations, rental deposits for the new stores, purchase of inventories, general working capital for the new stores and miscellaneous expenditure outlay such as property agency commission, as follows:

Component of expenditures	Expansion of LED specialty store retail floor area	Expansion of lighting store retail floor area	Expansion of lighting & furniture combined store retail floor area	Total
	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Capital expenditures of renovations, furniture and fixture, etc.	3.6	3.6	3.6	10.8
Rental deposits for the new stores	2.4	2.4	2.4	7.2
Purchase of inventories	3.2	3.2	3.2	9.6
General working capital	1.0	1.0	1.0	3.0
Miscellaneous expenditure outlay such as property agency commission	1.0	1.0	1.0	3.0
Total	11.2	11.2	11.2	33.6

Approximately HK$2.5 million, representing approximately 6.4% of the estimated net proceeds, will be applied for marketing and promotion, principally of our own branding of trademarks. We anticipate the financing involved will comprise of advertising and promotional expenses in various media, including newspaper, magazines, television, websites, etc.

Approximately HK$2.7 million, representing approximately 6.9% of the estimated net proceeds, will be applied for enhancing our logistic management system, including the upgrade of our information technology system and the procurement of additional warehousing facilities in Hong Kong. We anticipate the financing involved will comprise of software licensing fees, capital expenditures of renovations, rental deposits for the new warehousing facilities, technological system ware cost and miscellaneous expenditure outlay such as property agency commission.

The balance of approximately HK$0.4 million, representing approximately 1.0% of the estimated net proceeds, will be applied as working capital and other general corporate purpose.

We consider that the net proceeds from the issue of the Placing Shares (assuming the Offer Size Adjustment Allotment is not exercised) of about HK$39.2 million and our internal resources will be sufficient to finance our business plans as scheduled up to 31 March 2017.

If the Offer Size Adjustment Option is exercised in full, the net proceeds from the Placing will increase to approximately HK$47.1 million, assuming the Placing Price is set at the mid-point of the indicative Placing Price range at HK$0.55 per Share. If the Placing Price is set at the high-end of the indicative Placing Price range at HK$0.6 per Share, the net proceeds from the Placing (including the proceeds from the exercise of the Offer Size Adjustment Option) will increase to approximately HK$52.6 million. If the Placing Price is set at the low-end of the indicative Placing Price range, at HK$0.5 per Share, the net proceeds from the Placing (including the proceeds from the exercise of the Offer Size Adjustment Option) will decrease to approximately HK$41.6 million. We intend to apply the additional net proceeds from the exercise of the Offer Size Adjustment Option to the above purposes on a pro-rata basis. If the Placing Price is finally determined to be less than HK$0.55 (being the mid-point of the indicative range of the Placing Price), we will finance the shortfall in relation to the funding required for our implementation plans by internal cash resources, working capital and/or other financing, as and when appropriate. If the Placing Price is finally determined to be more than HK$0.55, we will apply the additional net proceeds as working capital.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong.

Our Directors consider that the net proceeds from the Placing together with our internal resources will be sufficient to finance the implementation of our business plans as set out in the sub-section headed "Business Objectives and Strategies — Implementation Plans" of this prospectus.

Investors should be aware that any part of our business plans may or may not proceed according to the timeframe as described under the sub-section headed "Business Objectives and Strategies — Implementation Plans" of this prospectus due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant business plan materialises.

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Placing and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and taking no account of any Shares that may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme):

		HK$
Authorised share capital:		
1,000,000,000	Shares	10,000,000
Issued and to be issued, fully paid or credited as fully paid:		
1,000	Shares in issued as at the date of this prospectus	10
299,999,000	Shares in issued pursuant to the Capitalisation Issue	2,999,990
100,000,000	Shares to be issued pursuant to the Placing (before any exercise of the Offer Size Adjustment Option) *(Note)*	1,000,000
400,000,000	Shares (before any exercise of the Offer Size Adjustment Option) *(Note)*	4,000,000

Note: If the Offer Size Adjustment Option is exercised in full, then 15,000,000 additional Shares will be issued resulting in a total issued share capital of 415,000,000 Shares with an aggregate nominal value of HK$4,150,000.

Assumptions

The above table assumes that the Placing becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates granted to our Directors for the allotment and issue of Shares and the repurchase of Shares as referred to below or allotment and issue of Shares upon the exercise of options to be granted under the Share Option Scheme.

Ranking

The Placing Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends or other distributions declared, made or paid on, or any other rights and benefits attaching to or accruing from, the Shares after the date of this prospectus.

Shareholders' general meeting

Please refer to Appendix III to this prospectus in respect of circumstances under which general meeting is required.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the sub-section headed "Share Option Scheme" under Appendix IV to this prospectus.

CAPITALISATION ISSUE

Pursuant to the resolutions of the Shareholders passed on 11 September 2014, subject to the share premium account of our Company being credited as a result of the issue of the Placing Shares pursuant to the Placing, our Directors are authorised to allot and issue a total of 299,999,000 Shares credited as fully paid at par to the holders of the Shares on the register of member of our Company at the close of business on 11 September 2014 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$2,999,990 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

If the Placing becomes unconditional as stated in the section headed "Structure and Conditions of the Placing" of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with, otherwise than by way of rights issue or an issue of shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on

Shares in accordance with the Articles or a specific authority granted by the Shareholders of our Company in general meeting, Shares with a total nominal value not exceeding the sum of:

(i) 20% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Placing (but without taking into account the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme); and

(ii) the aggregate nominal value of the share capital repurchased by our Company (if any).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme. The general mandate will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable laws of Hong Kong to be held; or

(c) the passing of an ordinary resolution of the shareholders of our Company in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, see the paragraph headed "Written resolutions of our Shareholders passed on 11 September 2014" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

If the Placing becomes unconditional as stated in the section headed "Structure and Conditions of the Placing" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following completion of the Placing and the Capitalisation Issue (but without taking into account the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme).

This general mandate only relates to repurchase made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "Repurchase of the Shares by our Company" in Appendix IV to this prospectus.

The general mandate will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable laws of Hong Kong to be held; or

(c) the passing of an ordinary resolution of the shareholders of our Company in general meeting revoking, varying or renewing such mandate.

You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our financial statements have been prepared in accordance with HKFRS. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, see the section headed "Risk factors" of this prospectus.

OVERVIEW

We are principally engaged in the retail sales distribution of lighting and furniture products in Hong Kong. The products sold by our Group include a wide selection of Light Fitting and Luminaries, as well as designer label furniture and other accessories from international brands. We currently operate a total of 17 retail outlets in various regions of Hong Kong for making sales to customers. These retail outlets are strategically located in the principal retail zones of (i) Morrison Hill Road, Wanchai, Hong Kong Island; (ii) Lockhart Road, Wanchai, Hong Kong Island; (iii) Mongkok, Kowloon; and (iv) Shatin, New Territories. According to the Ipsos Report, we were ranked as the largest lighting specialty retailers in Hong Kong in 2013 in terms of both revenue and number of retail outlets with a market share of total lighting product retail industry revenue of approximately 12.1%.

Hong Kong is our principal market. Revenue generated from the Hong Kong market accounted for essentially all of our revenue income for each of the financial years comprising the Track Record Period.

Revenue generated from lighting product sales accounted for approximately 90% of our total revenue for each of the financial years comprising the Track Record Period.

SUMMARY OF THE HISTORICAL COMBINED FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Year ended 31 March			
	2013		2014	
	HK$'000	% of revenue	HK$'000	% of revenue
Turnover	68,779	100.0%	79,158	100.0%
Gross profit	39,914	58.0%	47,183	59.6%
Profit from operations	10,622	15.4%	7,524	9.5%
Profit for the year	9,055	13.2%	5,857	7.4%

Combined Statements of Financial Position

	As at 31 March	
	2013	2014
	HK$'000	HK$'000
Current assets	18,027	25,703
Non-current assets	5,838	6,829
Current liabilities	8,621	11,431
Net current assets	9,406	14,272
Net assets	15,244	21,101

To illustrate the profitability of our Group's operation, certain non-recurring gain and expense items were excluded to arrive at the adjusted profit for the year as set out below.

	Year ended 31 March	
	2013	2014
	HK$'000	HK$'000
Profit for the year	9,055	5,857
Add: Listing expense	—	2,758
Loss on disposal of property, plant and equipment	—	71
Adjusted profit for the year	9,055	8,686

Notwithstanding the overall growth in our Group's aggregate sales revenue for the year ended 31 March 2014, our net profit (excluding mainly the effect of Listing expenses) for the year ended 31 March 2014 amounted to approximately HK$8.7 million, as compared to the same of approximately HK$9.1 million for the year ended 31 March 2013, representing a decline by approximately 4.4%. We managed to grow our Group's sales revenue for the year ended 31 March 2014 mainly by way of the expansion of our retail chain network through the opening of new retail outlets. In addition, as highlighted in the below paragraph headed "Discussion and analysis of principal components of results of operations — Comparable sales for principal geographical retail zones" under this section, for existing stores located in our retail zones of Mongkok and Shatin, we recorded an increase in sales revenue through growing the business volume with the same store on a year-to-year basis. Notwithstanding the aforesaid, with the prevailing difficult business environment with household furnishing products in Hong Kong due to the low transaction volume within the property market, we experienced a more difficult time in growing our revenue at a sufficiently fast rate to keep up with the increasing rental cost and overhead. In particular, a generally lower sales volume per retail outlet was attributed to our clustering retail zone in Morrison Hill Road, Wanchai, which accounted for more than 60% of our overall revenue base, while alongside the halted high price level with the Hong Kong property market our rental cost continued to escalate as we opened more retail outlets and renewed tenancies with existing retail outlets at higher rental rates during the Track Record Period. In addition, certain of our retail outlets opened during the year ended 31 March 2014 was in their initial launching stage and have not reached their full sales capacity, thus further impeding ourselves from attaining a more favourable result of operation.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law. Through a corporate reorganisation as more fully explained in the sub-section headed "History, Reorganisation and Corporate Structure — Reorganisation" of this prospectus, our Company became the holding company of the companies now comprising our Group.

The Company and its subsidiaries have been under the common control of Mr. Hui, our Controlling Shareholder, throughout the Track Record Period. As Mr. Hui owned or controlled the Group before and after the Reorganisation, there was a continuation of the risks and benefits to Mr. Hui and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control. Before and after the Reorganisation, there is also no change in management of the Group and the ultimate owners of the Group remain the same. Accordingly, for the purpose of this report, the financial information of our Group has been prepared on a combined basis using merger accounting principles as if the group structure upon completion of the Reorganisation had existed throughout the Track Record Period. The financial information of our Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period which include the results, changes in equity and cash flows of the companies comprising our Group have been prepared as if the current group structure had been in existence throughout the Track Record

Period, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period. The combined statements of financial position of our Group as at 31 March 2013 and 2014 have been prepared to present the state of affairs of our Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Directors consider the factors set forth below have principally affected our business and historical financial results and may also affect its future financial results.

Economies of Hong Kong which is the principal market in which we operate our retail chain business

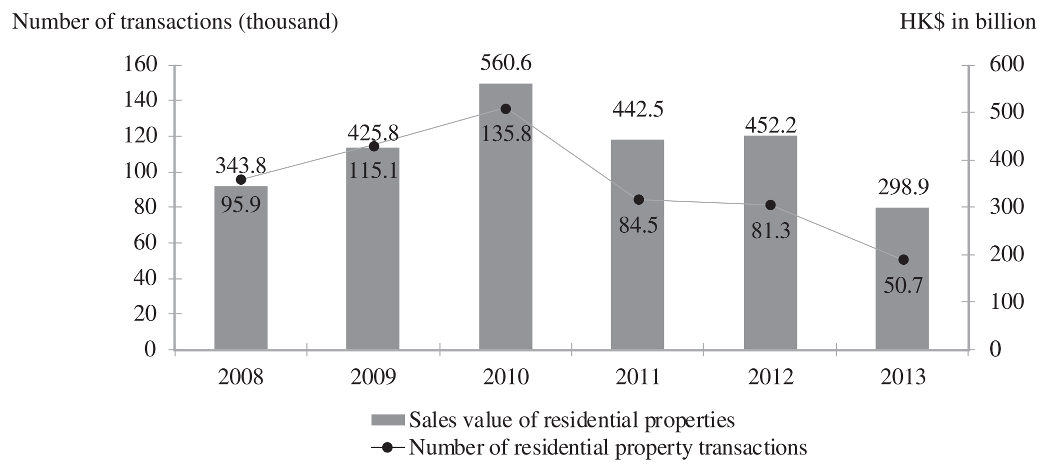
As we are a retail chain business in household lighting and furniture products targeted at the general public customers, our results of operations are directly affected by the overall economy of Hong Kong. According to the Ipsos Report, the Hong Kong economy recorded continuous growth in GDP per capita from 2011 to 2013. However, the growth rate slowed down to approximately 1.5% only for 2012 due to the shadow cast by the European debt crisis which broke out in 2011, and the cool down in China economy in both 2011 and 2012. The GDP growth rate increased from approximately 1.5% in 2012 to approximately 3.0% in 2013 mainly due to the improved global economic outlook, including the stabilising financial conditions in Europe, the positive effect of the stimulus measures in China and improvements in global trade.

We believe that the growth in GDP growth rate which stimulates private consumption expenditure and retailing sales have exerted a positive impact on our financial performance during the Track Record Period. Nevertheless, as rental expenses for our retail outlets accounted for a significant proportion of our selling expenses, economic growth and upsurge in market rental rates which may follow could result in increasing rental expenses of our Group and lead to a negative impact in our financial results.

The overall market sentiment and environment with the property market

We believe a significant proportion of our lighting product sales are made to householders undergoing home renovation. As such, our results are affected to a substantial extent by the Hong Kong property market in general. According to the Ipsos Report, the number of households has grown from approximately 2,279 thousand units in 2008 to approximately 2,415 thousand units in 2013. Amongst these households, the number of higher income households in Hong Kong attributed a higher than average growth rate. We consider the increase in number of households, including higher income households, has exerted a positive impact on our financial performance during the Track Record Period.

Nevertheless, the favourable increase in number of households was largely offset by the general decline in the transaction volume in the property market. Below graph sets out the total transactions of residential properties in Hong Kong from 2008 to 2013:



Source: Land Registry

The transaction number and sales value of residential properties in Hong Kong declined from the peak of about 135.8 thousand and HK$560.6 billion in 2010 to about 50.7 thousand and HK$298.9 billion in 2013, representing a significant 62.7% decline in volume of transactions.

In October 2012 and February 2013, to curb over-heated property prices, the Hong Kong Government introduced a series of cooling measures, including heavier stamp duties, targeted at property purchases by companies and people who are not Hong Kong permanent residents and to deter speculation on property prices. The Hong Kong Government has indicated that the measures are to be continued into the foreseeable future. Although the objective of the cooling measures imposed by the government was primarily to curb property prices, such measures may also discourage the purchase of new or used residential flats by virtue of the heavier stamp duties.

As of latest figure in 2014, the transaction number of residential properties in Hong Kong for the second quarter of 2014 amounted to approximately 16 thousands units, which is approximately 48.4% higher than the corresponding for the first quarter of 2014. The rebound in the number of residential property transactions in the second quarter of 2014 was supported by the increase in first-hand residential property supply and the loosened conditions for the double stamp duty on property transactions promulgated by the Hong Kong Government. In addition, the aggregate transaction number of residential properties in Hong Kong for July and August 2014 amounted to approximately 14.0 thousands units, which is approximately 89.4% higher than that for July and August 2013. Correspondingly, there was also an apparent increase in the number of new mortgages for the Hong Kong property market.

Notwithstanding the emerging signs of rebound in number of residential property transactions, we consider the prevailing situation with the Hong Kong property market of halted high price level may continue to post challenging business environment for our retail chain business. The downturn in the number of transactions in the residential property market may correspond to a reduced market demand with household furnishing products in general, and specifically with our lighting and furniture products. To accommodate the changing market environment, in recent years we have adjusted our retail market strategy including the active store profiling of our product mix to enhance our business focus on high quality, premium priced branded products and LED products. We consider these pursuits serve to upgrade our business profile and enable us to grow in a market environment of reduced business volume and gradual shift of customer preference from non-branded products to branded products.

Expansion of retail chain network

Our revenue and profitability is directly affected by the expansion of our retail chain network. During the Track Record Period, we continued to expand our retail floor area through the opening of more retail outlets in Hong Kong to bolster our sales capacity. The following table presents an analysis of the additions and closure of retail stores during the Track Record Period and up to the Latest Practicable Date:

	As at the beginning of the Track Record Period	Additions/ (closure) for the year ended 31 March 2013	Additions/ (closure) for the year ended 31 March 2014	Additions/ (closure) subsequent to the Track Record Period	As at the Latest Practicable Date
Hong Kong Island					
— Lighting stores	5	—	(1)	—	4
— Lighting and furniture combined stores	2	1	—	1	4
— LED speciality stores	1	2	1	—	4
Kowloon Peninsula					
— Lighting stores	1	—	—	—	1
— Lighting and furniture combined stores	—	—	1	—	1
— LED speciality stores	—	—	—	—	—
New Territories					
— Lighting stores	—	1	—	—	1
— Lighting and furniture combined stores	1	—	—	—	1
— LED speciality stores	—	—	1	—	1
Total	10	4	2	1	17

Set out below are the average number of retail outlet and the average sales revenue per retail outlet during the Track Record Period:

	For the year ended 31 March	
	2013	2014
Average number of retail outlet	12.1	14.6
	HK$'000	HK$'000
Average annual sales revenue per retail outlet	5,684	5,422

The average annual sales revenue per retail outlet amounted to approximately HK$5.7 million and HK$5.4 million for the years ended 31 March 2013 and 2014, respectively, representing an approximately 5.3% decrease. There was a decline in average annual sales revenue per retail outlet over the Track Record Period because of the more difficult business environment with household furnishing products in Hong Kong due to the low transaction volume with the property market, which contributed to a relatively lower sales volume per retail outlet for our retail chain business.

Product mix and combination

We believe our profitability is dependent in part upon our success in adjusting our product mix in response to changing market environment and customer preferences, which varies across our different geographic retail zones and may change or evolve over time. We offer a wide selection of lighting appliance and designer label furniture products to our customers. The selling prices of our products range from less than a hundred Hong Kong dollar to tens of thousand Hong Kong dollars depending on a number of factors such as the nature of merchandise products, the branding, product design and consumer demand. We adjust the mix of merchandise items that we offer in our retail stores to accommodate the changing market demands.

In recent years, to accommodate the changing market environment, we have actively profiled our product mix to increase the proportion of high quality, premium priced European branded products and LED products. In the year 2011, we took in a number of European brands such as ARTEMIDE which is a global top brand for professional luminaries and the renowned designer label TOM DIXON. We leverage on the large number of international brands we carry to blend and combine the product varieties at our disposal to come up with the most appealing combination for our specific retail outlet, based on our assessment of the consumer demographics and spending pattern in the retail outlet location. We consider that over the long run, these pursuits will enhance our strategic market positioning and enable us to maintain our profitability in the changing market environment.

We consider that our active store profiling and the favourable changes in our merchandising product mix have enabled us to maintain our profitability despite the challenging market environment. In particular, for our most important retail zone in Morrison Hill Road which contributed not less than 60% of our sales revenue throughout the Track Record Period, we managed to maintain the overall gross profit margin despite the prevailing more difficult business environment. Nevertheless, the market environment and customer preferences may change or evolve over time which may render our existing product mix and combination outmoded and shall post new challenges to us. We may or may not be able to response to these new market changes.

Average customer spending per transaction

The average customer spending per transaction serves as an indicator of the amounts our customers spend at our stores. Average customer spending per transaction is calculated by dividing the total revenue from all of our retail stores in operation throughout the relevant period by the total number of transactions made during such period. The average customer spending per transaction may be affected by a number of factors, including our merchandise mix and pricing and customer purchasing power in our retail locations.

	For the year ended 31 March	
	2013	2014
	HK$	HK$
Average customer spending per transaction		
— Lighting appliance products and luminaries	3,261	3,629
— Designer label furniture and accessories	5,906	6,148

The average customer spending per transaction for lighting product sales increased from approximately HK$3,261 for the year ended 31 March 2013 to approximately HK$3,629 for the year ended 31 March 2014, representing an approximate 11.3% increase.

We consider the increase in average customer spending per transaction for lighting product sales is mainly because of (i) the adjustment of our retail market strategy including the active profiling of our product mix and the enhancement of our business focus on high quality, premium priced European branded products to accommodate the changing market environments; (ii) we have increased the sales of LED products which generally command a higher pricing over Incandescent Light Source; and (iii) the continual growth in business for each of our flagship lighting store on the side of Hong Kong Island and New Territories since their establishment in recent years. As these new retail outlets are situated in locations which generally command higher purchasing power per capita, we have accordingly furnished for these new retail outlets a higher share of premium priced products with their inventory portfolio, with a corresponding overall increase in average customer spending per transaction.

The average customer spending per transaction for furniture and accessory product sales increased from approximately HK$5,906 for the year ended 31 March 2013 to approximately HK$6,148 for the year ended 31 March 2014, representing a 4.1% increase.

We launched our first KARTELL mono-branded furniture store during the interim of the year ended 31 March 2012. As the business of this furniture store took off from its initial start-up phase and increasingly accepted by the market, we furnished the store with more high value merchandise product items with corresponding increase in average customer spending per transaction.

Cost of sales

Cost of sales mainly represents the procurement cost for the purchase of merchandise products from our suppliers for resale throughout our retail chain network. All of our purchases are finished products. Cost of sales is the largest component of our operational cost and overhead, and has a direct and significant impact on our profit margins. For the years ended 31 March 2013 and 2014, our cost of sales were approximately HK$28.9 million and HK$32.0 million, respectively, representing approximately 42.0% and 40.4% of our sales revenue for the same aforementioned years, respectively. We consider the increase in cost of sales is generally in line with the growth in our volume of business and sales turnover during the Track Record Period, and the general decline in our ratio of cost of sales as a percentage of our sales revenue was mainly the result of our endeavour in recent years of active store profiling and adjustment of our product mix, whereby we enhanced our product portfolio with a higher proportion of merchandise items commanding a generally higher profit margin to accommodate the changing market environment.

We purchase our merchandising items from suppliers located in various overseas countries and their representative offices in Hong Kong. Purchases directly from overseas suppliers are denominated principally in US dollar, Euro and Renminbi. We do not enter into any long-term supply contracts with our suppliers and we make our purchases on an order by order basis. As such, changes in product pricing listed by our suppliers will have a direct impact on our profit margin. As certain of our major suppliers impose uniform pricing policies across different distributors, we have limited capacity to pass on any increase in our procurement cost of purchase to our customers.

The following table presents the analysis of the approximate percentage of our purchase by transaction currency for the Track Record Period:

	For the year ended 31 March	
	2013	2014
Hong Kong dollar	63%	57%
Renminbi	13%	8%
US dollar	15%	19%
Euro	9%	16%

We consider Euro to have undergone a general rise during the Track Record Period amidst relatively narrow fluctuations, with the exchange rate at the end of the Track Record Period being approximately 4% higher than that prevailing at the beginning of the period. Accordingly there was an overall escalating effect on our cost of sales attributable to purchases from European suppliers. Because Renminbi underwent a more pronounced decline during the last quarter of the year ended 31 March 2014, we may aspire to a mildly favourable effect to our cost of sales if the currency remains at the present level in the foreseeable future. The US dollar has been pegged against Hong Kong dollar which is our functional currency, and as such has no discernable effect to our cost of sales out of currency volatility.

Please refer to the paragraph head "Business — Purchases and suppliers — Purchasing from suppliers" of this prospectus for further information regarding our suppliers and cost of sales.

Rental Expenses

Rental expense is one of the major costs in our business operations. As at the Latest Practicable Date, we did not own any properties and we procure the use of sites for all of our business premises including retail stores, office premises and warehousing facilities on the basis of operating lease. Tenancies for all these properties typically have underlying lease terms of two to three years. The following table set forth an analysis of the rental expenses of our business premises for the Track Record Period:

	For the year ended 31 March			
	2013		2014	
	HK$'000	%	HK$'000	%
Rental expenses for:				
— Office premises and warehousing facilities	1,143	8.2%	1,404	7.6%
— Retail outlets	12,761	91.8%	17,102	92.4%
Total	13,904	100.0%	18,506	100.0%

Rental expenses increased from approximately HK$13.9 million for the year ended 31 March 2013 to approximately HK$18.5 million for the year ended 31 March 2014, representing an increase of approximately 33.1%. The increase in rental expenses was because we opened a total of four retail stores during the year ended 31 March 2013. With these stores rentals were paid for a few months only during the aforesaid period, while rentals were paid for the full 12 months comprising the year ended 31 March 2014 as these stores first came into their full year of operation. We opened a total of three additional retail stores during the year ended 31 March 2014 with corresponding new tenancies incepted, further adding to our rental expenses. In addition, we also experienced an increment in effective monthly rental rate of approximately 25% for certain of our existing stores upon renewal of tenancies with these stores during the Track Record Period. Set out below is an analysis of our rental expenses as a percentage of our sales turnover for the Track Record Period:

	For the year ended 31 March	
	2013	**2014**
Rental expenses as percentage of sales turnover	20.2%	23.4%

Our rental expenses accounted for approximately 20.2% and 23.4% of our sales turnover for the years ended 31 March 2013 and 2014, respectively. Rental expenses as percentage of sales turnover increased throughout the Track Record Period mainly because with the prevailing more difficult business environment with household furnishing products in Hong Kong due to the low transaction volume with the property market, we experienced a more difficult time in growing our revenue and generally attributed a lower sales volume per retail outlet for our retail chain business, while alongside the halted high price level with the Hong Kong property market our rental cost continued to escalate as we opened more retail outlets and renewed tenancies with existing retail outlets at higher rental rates during the Track Record Period. In addition, we opened a total of three new retail stores during the year ended 31 March 2014, and certain of these new stores were in their initial start-up phase for the year concerned. For these stores, the sales volume has not reached the full sales capacity level, and accordingly the rental expenses being disproportionately high compared to sales revenue, thus impeding ourselves from further enhancing our operational efficiency by achieving a more favourable ratio of rental expenses as percentage of sales turnover.

Our sales-making capacity is directly related to the floor area occupied by our retail outlets. Rentals for our retail outlets, which constitute a significant proportion of our rental cost and represented approximately 91.8% and 92.4% of our aggregate rental expenses for the years ended 31 March 2013 and 2014, respectively. Set out below are the average number of retail outlet, and the effective aggregate gross floor area occupied by our retail outlet during the Track Record Period:

	For the year ended 31 March	
	2013	2014
Average number of retail outlet	12.1	14.6
Effective aggregate gross floor area occupied by our retail outlets (sq.ft.)	21,265	24,928

The overall increase in effective aggregate gross floor area occupied by our retail outlets during the Track Record Period was due to our continual retail chain network expansion, as we opened a total of three new retail stores in various regions in Hong Kong during the year ended 31 March 2014.

Set out below are the average annual turnover and the average rental expenses per floor area in square feet of our retail outlets during the Track Record Period:

	For the year ended 31 March	
	2013	2014
	HK$	HK$
Average annual turnover per floor area (sq.ft.) of retail outlet	3,234	3,175
Effective annual rental rate per square feet of floor area	600	686

The average annual turnover per square feet of retail floor area was approximately HK$3,234 and HK$3,175 for the years ended 31 March 2013 and 2014, respectively, representing an approximate 1.8% decrease. There was a decline in average annual turnover per square feet of retail floor area during the Track Record Period because of the more difficult business environment with household furnishing products in Hong Kong due to the low transaction volume with the property market, which contributed to a generally lower sales volume per retail outlet for our retail chain business, as discussed previously.

The effective annual rental rate per square feet of floor area was approximately HK$600 and HK$686 for the years ended 31 March 2013 and 2014, respectively, representing an approximate 14.3% increase. The increase in effective annual rental rate was mainly because as we upgraded the branding profile of our product portfolio with increasing emphasis on global branded products and LED products, we have selectively included for our new store openings in recent years more privileged locations which accord with the image projected of our upgraded branding profile, such as the HomeSquare in the New Territories which is one of the largest one-stop shopping malls for home furnishing products in Hong Kong. As these privileged locations generally command a higher rental rate than certain of our other existing stores, there was an increase in our effective annual rental rate per square feet of floor area. In addition, we experienced an increment in effective monthly rental rate of approximately 25% for certain of our existing stores upon renewal of tenancies with these stores during the Track Record Period, further contributing to the increase in effective annual rental rate per square feet of floor area during the Track Record Period.

As our business expands, the enlarged retail outlet floor areas will become a basis for our future rental expenses. As such, the continuous expansion of our retail chain network is expected to increase our rental costs in the future. Given that there has been a general rising trend of rental expenses in Hong Kong in recent years, we may not be able to renew the existing lease arrangements on terms and conditions that are commercially acceptable to us, or we may have to renew such leases on a more expensive basis. Any substantial increase in rental expenses in future will increase the costs of our operation and may have a material adverse impact on our profitability.

Staff cost

Our retail chain operations depend on the hiring and retaining of experienced salesmen to interact with our customers on a daily basis. In addition, we have reliance on our experienced management team to manage our business operations. For the years ended 31 March 2013 and 2014, our staff costs (including directors' emoluments) including wages and salaries, mandatory provident fund contributions, employee benefits expense amounted to approximately HK$10.4 million and HK$12.1 million, respectively, representing approximately 15.2% and 15.3%, respectively, of our sales revenue for the corresponding years.

As our business operations expand, we expect to hire more staff and our staff costs will continue to increase. We consider any future changes in minimum wage rate have limited implications for our operations as those mainly apply to low-paid workers and the majority of our staff are paid well beyond the minimum wage rate. Nevertheless, the competition in the labour market for staff of appropriate experience with the retail industry may increase the salary level and correspondingly our costs associated with hiring and retaining staff, which in turn may affect our results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with HKFRS requires us to make judgments, estimates and assumptions that affect the application of the relevant accounting policies and to make use of certain critical accounting estimates. The methods, estimates and judgments that we use may have a significant impact on our results of operations. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Below is a summary of the accounting policies in accordance with HKFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies, which are set forth in detail in Note 3 to the Accountants' Report in Appendix I to this prospectus.

Revenue recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably. Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that our Group maintains neither managerial involvement to the degree associated with ownership, nor effective control over the goods sold. In practice, our accounting policy for revenue recognition requires us to recognise revenue at the time of delivery of goods to customers rather than the date of invoice, which is usually an earlier date by virtue of the lag time involved in making physical delivery of the goods to customer address. Any delay in revenue recognition due to time required for inspection and acceptance by the customers is normally negligible.

Depreciation on property, plant and equipment

Property, plant and equipment are depreciated so as to write off their cost or valuation 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 reporting period. The useful lives are as follows:

Leasehold improvements	4 years or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	5 years

Prior to the Track Record Period, for furniture, fixtures and equipment of air-conditioning and leasehold improvements we have adopted an estimated useful lives of 10 years and 25 years, respectively, in presenting our financial statements. In presenting the Accountants' Report in Appendix I to this prospectus, we have revisited the estimated useful lives for these asset to the above periods and considered the revised accounting estimates more accurately reflect our business situation. The revision in accounting estimates has no material effect to our financial results for the Track Record Period and we do not anticipate further changes to the accounting estimates in the foreseeable future.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The assessment of estimated recoverable amount takes into account our perceived value of the subject asset to our business and the replacement cost for substantially similar asset in the marketplace.

Impairment loss on financial assets

We assess, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include significant financial difficulty of the debtor; a breach of contract, such as a default or delinquency in interest or principal payments; granting concession to a debtor because of debtor's financial difficulty; it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loan and receivables, which make up the majority proportion of our financial assets, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and 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 as 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.

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 bringing the inventories to their present location and condition. 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 necessary to make the sale.

We review and identify, at the end of each financial period, any obsolescence issues with inventories based on recent sales performance, our experience with characteristic customer purchase behaviour, and our assessment of the model's alignment with the current market trend.

- For the best-selling, stable models and for designs with ageing less than 2 years and proven recent sales history, these are regarded as current up-to-date models for which generally no provision will be made, unless other factors has come to our awareness which is indicative of obsolescence issues.

- For models with more occasional and intermittent sales and designs with ageing of over 2 years, we assess the existence of any obsolescence issues on a case by case basis. We generally do not make a provision if the model has satisfactory recent sales performance. Full provision is made of models with designs with ageing of more than 2 years for which there is unsatisfactory recent sales performance.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when we have 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. Examples of such liabilities may include those related to product claims and liabilities that may arise out of past sale transactions.

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.

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of our combined results for the Track Record Period, which has been extracted from the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 March	
	2013	**2014**
	HK$'000	**HK$'000**
Turnover	68,779	79,158
Cost of sales	(28,865)	(31,975)
Gross profit	39,914	47,183
Selling and distribution expenses	(24,031)	(29,559)
Administrative and other expenses	(5,261)	(10,100)
Profit before income tax expense	10,622	7,524
Income tax expense	(1,567)	(1,667)
Profit and total comprehensive income for the year attributable to owners of the Company	9,055	5,857

DISCUSSION AND ANALYSIS OF PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Turnover

Our turnover represents the invoiced value of goods sold to our customers. The following table sets out our revenue by product category for the Track Record Period:

	Year ended 31 March	
	2013	2014
	HK$'000	HK$'000
Sales of lighting appliance products	63,139	71,276
Sales of designer label furniture and accessories	5,640	7,882
Total	68,779	79,158

Our revenue from the sales of lighting products increased from approximately HK$63.1 million for the year ended 31 March 2013 to approximately HK$71.2 million for the year ended 31 March 2014, representing an increase of approximately 12.8%. Such increase was mainly attributable to the prominent growth in sales revenue contribution for our retail zone in Shatin, New Territories, as we opened a lighting store ascribing a retail floor area of 1,204 sq.ft. in this retail zone in November 2012. The business of this lighting store was in operation for approximately 4 months during the year ended 31 March 2013, while it was in operation for a full 12 months during the year ended 31 March 2014, with corresponding significant increase in sales revenue contribution. As this retail outlet is situated in one of the largest shopping malls for home furnishing products in the New Territories and this premium location generally commands higher customer traffic and a higher customer purchasing power per capita, there was a prominent increase in revenue contribution from our retail zone in Shatin, New Territories during the Track Record Period. In addition, during the year ended 31 March 2014, we opened an additional three new lighting product retail outlets in various regions in Hong Kong, including a flagship store on the side of Kowloon Peninsula. The expansion in our retail chain network bolsters our sales-making capacity and further contributed to growth in sales revenue.

Our revenue from the sale of designer label furniture and accessory products increased from approximately HK$5.6 million for the year ended 31 March 2013 to approximately HK$7.9 million for the year ended 31 March 2014, representing an increase of approximately 41.1%. Such increase was mainly attributable to our KARTELL mono-branded furniture store, which was first established around September 2011. As the business of this store continues with its growth into the year ended 31 March 2014, we recorded increasingly higher sales revenue. In addition, as the business of this store passed through its initial launching stage and became increasingly stabilised, we expanded our product range and revenue streams by furnishing the store with a higher proportion of sizable furniture of higher value. In July 2012, we further opened a flagship lighting and furniture store on the side of Hong Kong Island in Morrison Hill Road, with a whole floor area dedicated to the sale of KARTELL products. As the business of this lighting and furniture store was in operation for approximately 8 months during the year ended 31 March 2013, while it was in operation for a full 12 months during the year ended 31 March 2014, there was a corresponding increase in revenue contribution for the year concerned.

Revenue by principal geographical retail zone

The table below sets forth the breakdown of sales revenue for each of our principal retail zones of (i) our store clustering in Morrison Hill Road, Wanchai, Hong Kong Island; (ii) Lockhart Road, Wanchai, Hong Kong Island; (iii) Mongkok, Kowloon; and (iv) Shatin, New Territories during the Track Record Period.

	Year ended 31 March			
	2013		2014	
	HK$'000	%	HK$'000	%
Morrison Hill Road, Wanchai, Hong Kong Island	53,989	78.5%	49,669	62.7%
Lockhart Road, Wanchai, Hong Kong Island	3,023	4.4%	6,744	8.5%
Mongkok, Kowloon	4,471	6.5%	7,106	9.0%
Shatin, New Territories	7,296	10.6%	15,639	19.8%
Total	68,779	100.0%	79,158	100.0%

Throughout the Track Record Period, our retail zone in Morrison Hill Road remained the most important retail zone and accounted for approximately 78.5% and 62.7% of our total revenue from all zones for the years ended 31 March 2013 and 2014, respectively. There was a gradual reduction of the significance of our Morrison Hill Road retail zone throughout the Track Record Period, as reflected in the overall decline in the proportion of sales attributable to this retail zone, as we expanded and diversified our operations to other newly developed retail zones, notably the Shatin retail zone in New Territories.

For our retail zone in Morrison Hill Road, we recorded revenue of approximately HK$54.0 million and HK$49.7 million for the years ended 31 March 2013 and 2014, respectively, representing an approximate 8.0% decrease. We opened two new stores in this retail zone during the year ended 31 March 2013, including a flagship lighting store on the side of Hong Kong Island. Notwithstanding the expansion of effective retail floor area with this retail zone during the Track Record Period, we recorded a drop in sales revenue as we understood the prevailing difficult business environment with low volume of transactions with the Hong Kong property market had its most discernable impact on new residential housing estates on the side of Hong Kong Island and, correspondingly, sales of household products including lighting appliances on the side of Hong Kong Island. As our clustering retail zone of Morrison Hill Road is situated in and catered principally to customers on the side of Hong

Kong Island, we experienced a generally more difficult time with maintaining our sales revenue with this retail zone for the year concerned. In addition, the closure of one of our retail outlets situated in Morrison Hill Road also had a diminishing effect on the revenue recorded with this retail zone.

For our retail zone in Lockhart Road, Wanchai, we recorded revenue of approximately HK$3.0 million and HK$6.7 million for the years ended 31 March 2013 and 2014, respectively, representing an approximate 123.3% increase. The pronounced growth in sales revenue for this retail zone was mainly because in January 2013 we opened in this retail zone a new LED specialty store, which due to the intervening Chinese New Year holiday was in operation for two months only for the year ended 31 March 2013, while it was in operation for a full year for the year ended 31 March 2014 with corresponding markedly increase in sales revenue. In addition, as compared with our two other existing stores in this retail zone, we consider this new LED specialty store to be situated in a better location with higher customer traffic which further augment the growth in overall sales revenue for this retail zone. We opened another new LED specialty store in this retail zone in August 2013, which further contributed to the revenue growth in the retail zone for the year ended 31 March 2014.

Our retail zone in Mongkok, Kowloon recorded revenue of approximately HK$4.5 million and HK$7.1 million for the years ended 31 March 2013 and 2014, respectively, representing an approximate 57.8% increase. The Mongkok retail zone is a relatively newly developed retail zone of ours with historically relatively lower revenue contribution, and for which we had relatively low regional market share as compared with our other retail zones. We began to dedicate increasing resources to this retail zone from 2013 onwards. We consider the growth in sales revenue was mainly because (i) in response to the intensified competition in the region, and in anticipation of forthcoming opening of a flagship lighting store on the Kowloon side in this retail zone, we have re-evaluated our market positioning within the region, and adjusted our product mix to enhance the differentiation from fellow competitors, including the offering in this retail zone of selected models from European branded suppliers such as MANTRA and ARTEMIDE that we evaluated to be potentially well received by customers coming from this retail zone; and (ii) in September 2013 we opened in this retail zone a new flagship lighting and designer label furniture store on the side of Kowloon Peninsula. The expansion in our retail floor area with this retail zone bolsters our sales-making capacity and enabled us to grow our sales revenue with this retail zone. In anticipation of the expanded business with this retail zone, we intend to dedicate increasing resources to this retail zone in the foreseeable future.

Our retail zone in Shatin, New Territories accounted for the most substantial portion of our overall growth in sales revenue, and recorded revenue growth from approximately HK$7.3 million for the year ended 31 March 2013 to approximately HK$15.6 million for the year ended 31 March 2014, representing an approximate 113.7% increase. We consider the retail zone in Shatin demonstrated the most significant growth in business amongst all retail zones because (i) all of our retail outlets with this retail zone are situated in one of the largest shopping malls for home furnishing products in the New Territories and this premium location generally commands higher customer traffic and a higher customer purchasing power per capita; (ii) we opened a flagship lighting store on the side of New Territories in this retail zone in around November 2012. Based on our evaluation of the consumer behaviour with this premium location, we have furnished this flagship lighting store with a higher proportion of LED and premium lighting appliance products which command a higher selling price. The business of this flagship lighting store was in operation for approximately 4 months during the year ended 31 March 2013, while it was in operation for a full 12 months during the year ended 31 March 2014, with corresponding significant increase in sales revenue contribution; (iii) we established our first KARTELL mono-branded furniture store in this retail zone in September 2011 and as the business of this store continued with its growth into the year ended 31 March 2014, we recorded increasingly higher sales revenue. In addition, as the business of this store became increasingly stabilised, we expanded our product range by furnishing the store with a higher proportion of sizable furniture of higher value, thus furthering our revenue streams; and (iv) unlike our other stores which dealt mainly or exclusively with lighting products, sales of our KARTELL mono-branded store are primarily furniture products which generally attribute a remarkably higher average customer spending per transaction than lighting products by virtue of the difference in nature of these merchandising items. As set out in the analysis set forth in the foregoing paragraph headed "Factors affecting our results of operations — Average customer spending per transaction" under this section, for the year ended 31 March 2014, our average customer spending per transaction for lighting products and furniture products was HK$3,629 and HK$6,148, respectively. The average customer spending per transaction was approximately 69.4% higher for furniture products than for lighting products. As one out of two of our retail outlets situated in Shatin, New Territories and in effective operation throughout the year ended 31 March 2014 is primarily dedicated to furniture business, there was a more than proportionate increase in revenue for this retail zone. In March 2014, we opened in this retail zone a new PANASONIC LED concept shop, which serve its dual functions as being both retail outlet for making sales and also showroom for showcasing PANASONIC LED lighting products. Nevertheless, revenue contribution during the Track Record Period from this new store was minimal, as this new store was in operation for less than a month during the year ended 31 March 2014.

Comparable sales for principal geographical retail zones

Our profitability is affected in part by our ability to successfully grow revenue from our existing retail outlets. As such, comparable retail outlets sales provide a meaningful period-to-period comparison of retail outlets performance because they exclude increases that are due to the opening of new retail outlets. We define our comparable retail outlets to be those retail outlets that were opened throughout the periods under comparison. The effect of the opening of new shops has been excluded in making a comparison. The table below sets forth the breakdown of comparable retail sales for each of our principal geographical retail zones.

	No. of comparable retail outlets	Year ended 31 March	
		2013	2014
		HK$'000	HK$'000
Morrison Hill Road, Wanchai, Hong Kong Island	7	49,628	43,199
Lockhart Road, Wanchai, Hong Kong Island	1	2,527	1,888
Mongkok, Kowloon	1	4,471	5,017
Shatin, New Territories	1	4,188	6,013
Total		60,814	56,117

Our retail zones of Morrison Hill Road and Lockhart Road, which together accounted for not less than 80% of our aggregate comparable retail sales for all retail zones, recorded a drop in comparable retail sales during the Track Record Period mainly because of reduced sales volume. We consider the general decline in sales volume was mainly attributable to the more difficult business environment with household lighting and furniture products in Hong Kong due to the low transaction volume within the property market, which contributed to the lower sales volume for our retail chain business. In addition, in response to the changing market environment, in recent years we have adjusted our retail market strategy to enhance our focus on high quality, premium priced European branded products and LED products. By virtue of the generally higher pricing for these products, they were less affordable to the common public and as such there was an overall decline in our volume of sales. Notwithstanding our reduced volume of sales, we consider our market strategy serve to upgrade our business profile and over the long term will enable us to grow in the recent market environment of reduced business volume and gradual shift of customer preference from non-branded products to branded products.

Our retail zone of Morrison Hill Road continued to account for the highest share of our total revenue throughout the Track Record Period. Comparable retail sales for this retail zone amounted to approximately HK$49.6 million and HK$43.2 million for the years ended 31 March 2013 and 2014, respectively. Comparable retail sales for the year ended 31 March 2014 decreased by approximately 12.9%, as compared with the year ended 31 March 2013, mainly because of the more difficult business environment with household lighting and furniture products in Hong Kong prevailing during the year, as discussed previously. Incidental to a series of cooling measures introduced by the Hong Kong Government in February 2013 to curb over-heated property prices, the ensuing year ended 31 March 2014 witnessed a conspicuous downturn in the number of residential property transactions with the Hong Kong property market. As we understood the prevailing difficult business environment had its most discernable impact on new residential housing estates on the side of Hong Kong Island and, correspondingly, sales of household products including lighting appliances on the side of Hong Kong Island, for which our retail zone of Morrison Hill Road is firmly located, there was a discernable contraction of lighting product sales with this retail zone, which we consider to be attributable to both public customers who undergo renovations of home furnishing and also commercial customers, whom we understood to be contractors undertaking construction works for demonstration booth of new residential housing estates.

For our retail zone in Lockhart Road, Wanchai, comparable retail sales amounted to approximately HK$2.5 million and HK$1.9 million for the years ended 31 March 2013 and 2014, respectively, representing an approximate 24.0% decrease, which was most significant amongst all retail zones for the same years under comparison. We consider the decline in comparable retail sales for this retail zone as mainly attributable to the more difficult business environment with household lighting and furniture products in Hong Kong during the year ended 31 March 2014, as mentioned previously. The existing store under comparison with this retail zone underwent renovation during certain months of the year ended 31 March 2014 with temporary suspension of business, which further contributed to the overall decline in comparable retail sales. In addition, we opened with this retail zone a LED specialty store in January 2013 and dedicated more resources to the development of the new store, with a corresponding set back in comparable sales for the existing store with this retail zone. Despite that, we consider our efforts in developing the new LED specialty store will reap long term benefits for this retail zone, as we evaluated this new LED specialty store to encompass higher market potential by virtue of being situated in a better location with relatively higher customer traffic. This LED specialty store is making increasing revenue contribution since its opening in January 2013 and as indicated in the above paragraph headed "Discussion and analysis of principal components of results of operations — Revenue by principal geographical retail zone" under this section, when the revenue contribution from this LED specialty store has been accounted for, our retail zone in Lockhart Road, Wanchai actually recorded an overall growth in sales revenue.

For our retail zone in Mongkok, Kowloon, comparable retail sales amounted to approximately HK$4.5 million and HK$5.0 million for the years ended 31 March 2013 and 2014, respectively. We recorded a comparatively low revenue for this retail zone because, as discussed previously, this retail zone is a relatively newly developed retail zone of ours and for which we had relatively low regional market share and competitive advantage, as compared with our other retail zones. Comparable retail sales for the year ended 31 March 2014 increased by approximately 11.1%, as compared with the year ended 31 March 2013 mainly because, as discussed previously, in response to the intensified competition in this region, and in anticipation of forthcoming opening of a flagship lighting store on the Kowloon side in this retail zone, we have re-evaluated our market positioning within the region and adjusted our product mix to enhance the differentiation from fellow competitors, including the offering in this retail zone of selected models from European branded suppliers that we evaluated to be potentially well received by customers coming from this retail zone.

For our retail zone of Shatin, New Territories, we opened our first KARTELL mono-branded store in this retail zone during the interim of the year ended 31 March 2012. As such, the year ended 31 March 2013 being the first year encompassing a full 12 month of operation for this retail zone, and comparable retail sales for both of the years presented were wholly attributable to our first KARTELL mono-branded store and no other retail stores of ourselves presently situated in this retail zone. Comparable retail sales for this retail zone increased from approximately HK$4.2 million for the year ended 31 March 2013 to approximately HK$6.0 million for the year ended 31 March 2014, representing a markedly 42.8% increase, as the business of our first KARTELL mono-branded store increasingly mature from its initial launching stage and continued to grow and approached its full retail capacity during the concerned years under comparison, and as we expanded our product range and revenue streams by furnishing the store with a higher proportion of sizable furniture of higher value, as discussed previously.

Cost of sales

Our cost of sales principally represents the invoiced value of goods purchased from our suppliers for resale throughout our retail chain network, and also direct costs incurred for these purchases and for making sales, such as purchase transportation fees, charges paid to certain outsourcing third parties in respect of lighting installation services for our customers. The following table sets out our cost of sales by our principal geographical retail zones for the Track Record Period:

	Year ended 31 March			
	2013		2014	
	HK$'000	%	HK$'000	%
Morrison Hill Road, Hong Kong Island	22,504	78.0%	19,639	61.4%
Lockhart Road, Wanchai, Hong Kong Island	1,254	4.3%	2,929	9.2%
Mongkok, Kowloon	1,892	6.6%	3,136	9.8%
Shatin, New Territories	3,215	11.1%	6,271	19.6%
Total	28,865	100%	31,975	100%

For the years ended 31 March 2013 and 2014, our overall cost of sales were approximately HK$28.9 million and HK$32.0 million, respectively. Except for our retail zone in Morrison Hill Road, Hong Kong Island, all other retail zones recorded a general increase in cost of sales for the year ended 31 March 2014, as compared with the preceding year, mainly because of the increase in business volume. For all these retail zones outside of Morrison Hill Road, there was an increase in effective retail floor area during the year ended 31 March 2014 due to the openings of new retail outlets. As set out in the above paragraph headed "Factors affecting our results of operations — Expansion of retail chain network" under this section, the average number of retail outlet increased from approximately 12.1 stores for the year ended 31 March 2013 to approximately 14.6 stores for the year ended 31 March 2014. The expansion of our retail network and effective retail floor area bolsters our sales capacity and enables us to turnover a higher volume of business.

For our retail zone in Morrison Hill Road, cost of sales for the year ended 31 March 2014 decreased by approximately 12.7%, as compared with the year ended 31 March 2013, because of the lower volume of business with this retail zone, which is mainly attributable to the more difficult business environment with household lighting and furniture products in Hong Kong due to the low transaction volume with the property market, as discussed previously. We consider the decrease in cost of sales for this retail zone to be generally commensurate with the decrease in sales revenue for the same concerned year of approximately 8.0%. We consider the more than proportionate decrease in cost of sales with this retail zone, as compared to sales revenue, is mainly attributable to our endeavour with the active store profiling of our product mix to enhance our business focus on high quality, premium priced branded products and LED products with higher profit margin to accommodate the changing market environment. For the year ended 31 March 2014, our retail zone in Morrison Hill Road accounted for approximately 61.4% of our total cost of sales, as compared to a proportion of approximately 78.0% for the year ended 31 March 2013. There was a markedly decrease in the proportion of cost of sales attributable to the Morrison Hill Road primarily because of the dilutive effect from the development and expansion of our other retail zones, notably Shatin.

For our retail zones in Lockhart Road and Mongkok, the increase in cost of sales for the year ended 31 March 2014 is mainly due to the increase in sales revenue as a result of the openings of new retail outlets. We consider the increase in cost of sales for these retail zones to be generally commensurate with the growth in sales revenue with these retail zones for the same concerned year.

Our retail zone in Shatin recorded the most significant increase, by approximately 95.1%, in cost of sales amongst all retail zones as we opened our first KARTELL mono-branded furniture store and a flagship lighting store on the side of New Territories with this retail zone around September 2011 and November 2012, respectively, and these stores either came into its first full year of operation or continued with its growth from its initial launching stage and approached its full retail capacity during the concerned year ended 31 March 2014, as discussed previously. These factors contributed to the prominent increase in the business volume for our retail zone in Shatin, which corresponded to a markedly increase in cost of sales for this retail zone. For the same foregoing reasons, the proportion of cost of sales attributable to our retail zone in Shatin increased markedly from approximately 11.1% for the year ended 31 March 2013 to approximately 19.6% for the year ended 31 March 2014, as this retail zone accounted for the most noteworthy expansion amongst all our retail zones.

The following table sets out our cost of sales by nature for the Track Record Period:

	Year ended 31 March	
	2013	**2014**
	HK$'000	**HK$'000**
Procurement cost of merchandising items	25,946	29,145
Transportation costs	881	889
Installation service charges	1,966	1,896
Miscellaneous charges	72	45
Total	28,865	31,975

Procurement cost of merchandising items increased by approximately 12.3% during the year ended 31 March 2014, as compared with year ended 31 March 2013, mainly because of the increase in business volume. We consider the increase in our procurement cost of merchandising items to be commensurate with our growth in revenue by approximately 15.1% for the concerned year.

Transportation costs included in cost of sales remained comparable for the years ended 31 March 2013 and 2014 notwithstanding the growth in sales turnover, as the proportion of our purchase from suppliers with manufacturing facilities in the PRC increased during the year. As purchase from the PRC normally entails a lower rate of transportation fees than from European and other overseas countries, transportation costs did not increase proportionately with growth in sales turnover.

Installation service charges included in cost of sales decreased during the year ended 31 March 2014 notwithstanding the growth in turnover, as the proportion of our sale of lighting products of global and renowned brands and furniture products increased during the year. As lighting products of global and renowned brands generally command a higher unit selling price per piece, for the same invoiced amount of sales, they generally attribute fewer transactions and therefore installation requests from our customers. For furniture products, they typically do not require installation service in the first place.

Gross profit and gross profit margin by principal geographical retail zone

The table below sets forth the breakdown of the gross profit amount and gross profit margin for each of our principal retail zones of (i) Morrison Hill Road, Wanchai, Hong Kong Island; (ii) Lockhart Road, Wanchai, Hong Kong Island; (iii) Mongkok, Kowloon; and (iv) Shatin, New Territories during the Track Record Period:

	Year ended 31 March			
	2013		**2014**	
	HK$'000	**Gross profit margin**	**HK$'000**	**Gross profit margin**
Morrison Hill Road, Wanchai, Hong Kong Island	31,485	58.3%	30,030	60.5%
Lockhart Road, Wanchai, Hong Kong Island	1,769	58.5%	3,815	56.6%
Mongkok, Kowloon	2,579	57.7%	3,970	55.9%
Shatin, New Territories	4,081	55.9%	9,368	59.9%
Total	39,914		47,183	

Note: Gross profit margin is calculated by dividing the gross profit by revenue for each year and multiplied by 100%.

Gross profit for our retail zone in Morrison Hill Road amounted to approximately HK$30.0 million for the year ended 31 March 2014, as compared to approximately HK$31.5 million for the year ended 31 March 2013, representing an approximate 4.8% decline. Notwithstanding that our effective retail floor area with Morrison Hill Road has increased during the Track Record Period, there was a reduction in gross profit amount recorded for this retail zone. We consider the reduced gross profit amount as attributable to the contraction of lighting product sales both to public customers who undergo renovations of home furnishing, and also commercial customers whom we understood to be contractors undertaking construction works for demonstration booth of new residential housing estates, as there was a conspicuous downturn in the number of residential property transactions with the Hong Kong property market during the period concerned, as discussed previously.

The gross profit margin for our retail zone in Morrison Hill Road amounted to approximately 58.3% and 60.5% for the years ended 31 March 2013 and 2014, respectively. We consider the growth in gross profit margin as mainly attributable to our endeavour with the active store profiling of our product mix for retail stores situated in this retail zone. We had a total of nine existing retail stores with this retail zone as at the Latest Practicable Date. As Morrison Hill Road is our retail zone with highest revenue contribution, we have dedicated more of our resources to the active store profiling of the product mix with this retail zone to accommodate changing market environment, including the enhancing of our focus on high quality; premium priced European branded products and LED products, which generally attribute a higher profit margin. In addition, this retail zone is located near residential district of premium luxury apartments and we believe customers in this retail zone are more willing to pay for higher priced products. Accordingly, we have furnished for certain stores situated within this retail zone a higher proportion of premium priced lighting products. These premium products include luminaries from ARTEMIDE and certain other global brands for which we commenced commercial sales in recent years, with profit contribution from these incoming brands becoming increasingly realised during the Track Record Period. As such, despite the prevailing difficult business environment with lighting appliances, this retail zone managed to record a growth in gross profit margin during the Track Record Period.

For our retail zones in Lockhart Road and Mongkok, we recorded gross profit amounts for the year ended 31 March 2014 of approximately HK$3.8 million and HK$4.0 million, respectively, as compared to gross profit amounts for the year ended 31 March 2013 of approximately HK$1.8 million and HK$2.6 million, respectively. Each of our retail zones in Lockhart Road and Mongkok managed to record a growth in gross profit contribution due to the expansion of effective retail floor area, as we opened additional retail outlets situated in these retail zones during the Track Record Period. We consider the growth in gross profit amounts with these retail zones to be in line with the increase in retail sales for these retail zones. Out of these two retail zones, the magnitude of growth in gross profit amount is more pronounced with our retail zone in Lockhart Road, which was mainly because in January 2013 we opened in this retail zone a new LED specialty store, which came into its first full year of operation during the year ended 31 March 2014 with corresponding markedly increase in gross profit contribution. In addition, as compared with our two other existing stores situated in this retail zone, we consider this new LED specialty store to be situated in a better location with relatively higher customer traffic which further augment the growth in overall sales revenue and, corresponding, gross profit contribution for this retail zone. Please refer to the above paragraph headed "Discussion and analysis of principal components of results of operations — Revenue by principal geographical retail zone" under this section for further details.

Gross profit margin attained by our retail zone in Lockhart Road and Mongkok for the year ended 31 March 2014 amounted to approximately 56.6% and 55.9%, respectively, as compared to gross profit margin attained by the same retail zones for the year ended 31 March 2013 of approximately 58.5% and 57.7%, respectively. Notwithstanding the growth in gross profit contribution, each of our retail zones in Lockhart Road and Mongkok recorded a decline in gross profit margin by approximately 2% during the Track Record Period, for which we consider to be within the margin of normal business fluctuation. For our retail zone in Lockhart Road, we opened a new retail outlet in August 2013 and in its initial launching we offered to our customers sales discount while we probed and adjusted to the market response, thereby contributed to the mildly reduced gross profit margin. For our Mongkok retail zone, sales were exclusively lighting products in the past. We opened in this retail zone in September 2013 a new flagship lighting and designer label furniture store on the side of Kowloon Peninsula which also dealt with furniture products. As sales of furniture products generally attribute a lower gross profit margin than lighting products, there was an overall reduced gross profit margin attained for this retail zone.

For our retail zone of Shatin, New Territories, gross profit of approximately HK$4.1 million and HK$9.4 million was recorded for the years ended 31 March 2013 and 2014, respectively. The prominent growth in gross profit contribution of approximately HK$5.3 million, or an approximately 129.3% increment, was principally because (i) as both the business and product variety of our first KARTELL mono-branded furniture store with this retail zone continued with its growth into the year ended 31 March 2014, we recorded increasingly higher sales revenue and, corresponding, gross profit contribution; (ii) we opened a flagship lighting store on the side of New Territories in this retail zone in November 2012. The business of this flagship lighting store was in operation for approximately 4 months during the year ended 31 March 2013, while it was in operation for a full 12 months during the year ended 31 March 2014, with corresponding significant increase in sales revenue and, corresponding, gross profit contribution; and (iii) this flagship lighting store is situated in one of the largest shopping malls for home furnishing products in the New Territories, and based on our evaluation of the consumer behaviour with this premium location, we have furnished this flagship lighting store with a higher proportion of LED and lighting appliance products which command a higher selling price and gross profit margin, thus further enlarging our overall gross profit amount derived from this retail zone. Please refer to the above paragraphs headed "Discussion and analysis of principal components of results of operations — Revenue by principal geographical retail zone" and "Discussion and analysis of principal components of results of operations — Comparable sales for principal geographical retail zones" under this section for further details. The gross profit margin attained for this retail zone for the year ended 31 March 2014 was approximately 59.9%, as compared to gross profit margin attained for the year ended 31 March 2013 of approximately 55.9%. Amongst all of our retail zones, the growth in gross profit margin during the Track Record Period was most prominent for our retail zone of Shatin principally because, unlike our first store established in this retail zone, the KARTELL mono-branded store which primarily dealt with furniture products, our new flagship lighting store opened in this retail zone exclusively dealt with LED and other lighting products which generally command a discernably higher gross profit margin by virtue of the difference in nature of the merchandising products. Accordingly, as and when we opened a flagship lighting store during the year ended 31 March 2013 in this retail zone with increasingly higher proportion of profit contribution made therefrom, the overall profit margin for this retail zone was raised by the profit contribution from the addition of this flagship lighting store.

The table below sets forth the breakdown of the gross profit amount and gross profit margin for each of our principal retail zones during the Track Record Period after deduction of rental expenses and staff wages directly attributable to the relevant retail zone:

	Year ended 31 March			
	2013		**2014**	
	HK$'000 *(Note)*	**Gross profit margin after deduction** %	**HK$'000** *(Note)*	**Gross profit margin after deduction** %
Morrison Hill Road, Wanchai, Hong Kong Island	16,028	29.7%	14,014	28.4%
Lockhart Road, Wanchai, Hong Kong	708	23.4%	1,150	17.1%
Mongkok, Kowloon	948	21.2%	977	13.8%
Shatin, New Territories	2,106	28.9%	5,943	38.1%
Total	19,790		22,084	

Note: This represents the profitability of each retail zone by deducting the gross profit of each retail zone by the rental expenses and staff wages directly attributable to the respective retail zone.

Notwithstanding the growth in gross profit margin (before deduction of rental expenses and staff wages) for our retail zone of Morrison Hill Road during the Track Record Period, the gross profit margin after deduction of rental expenses and staff wages for this retail zone reflected a decline from approximately 29.7% for the year ended 31 March 2013 to approximately 28.4% for the year ended 31 March 2014 mainly due to the increment to rental rate upon renewal of tenancies with existing stores situated in this retail zone. As our retail zone of Morrison Hill Road recorded a decline in sales turnover during the Track Record Period, the reduced business volume coupled with increasing rental overhead has resulted in a decline in gross profit margin after deduction of rental expenses and staff wages for this retail zone. For our other retail zones outside of Morrison Hill Road, we consider the fluctuation in gross profit margin after deduction of rental expenses and staff wages to be generally in line with the fluctuation in gross profit margin of the respective retail zone before deduction, details of which are explained above.

Amongst all retail zones, our retail zone of Mongkok reflected the most discernable reduction in profitability after deduction of rental expenses and staff wages (as compared to the gross profit margin before deduction attributable to this retail zone of approximately 57.7% and 55.9% for the years ended 31 March 2013 and 2014, respectively). This was by virtue of the characteristic consumer behavior common with this retail zone, a higher proportion of sales with this retail zone was in respect of merchandising item of lower retail sales value, as we understand a relatively higher proportion of customers with this retail zone come from demographic segments of lower income group as compared to certain of our other retail zones. As such, we generally derive a lower profit per dollar of rental cost incurred for this retail zone.

Our retail zone of Shatin reflected reduction in profitability after deduction of rental expenses and staff wages (as compared to the gross profit margin before deduction attributable to this retail zone of approximately 55.9% and 59.9% for the years ended 31 March 2013 and 2014, respectively) to the least extent because all retail outlets with this retail zone were situated in a shopping mall and because of the premium location which generally commands higher customer purchasing power per capita, we have furnished the retail outlets with this retail zone with a higher proportion of LED and lighting appliance products which command a higher selling price and gross profit margin, thereby enabling us to derive a higher profit per dollar of rental cost incurred.

For the year ended 31 March 2013, one retail outlet each in our retail zone of Morrison Hill Road and Lockhart Road was loss making after deduction of rental expenses and staff wages. Losses were incurred mainly because both of these retail outlets were newly opened during the year and were still at their initial start-up phase and it takes time to build up sales volume in order to achieve break-even position.

For the year ended 31 March 2014, one retail outlet in our retail zone of Lockhart Road and two retail outlets in our retail zone of Morrison Hill Road were loss making after deduction of rental expenses and staff wages. Losses were incurred by the retail outlet situated in Lockhart Road mainly because these retail outlets were newly opened during the year and it takes time to build up sales volume in the initial start-up phase. For the retail zone of Morrison Hill Road, losses were incurred for a retail outlet under closure. This retail outlet under closure was previously principally engaged in the sale of KARTELL products and we closed this retail outlet because during the preceding year ended 31 March 2013, we opened a new retail outlet of larger floor area in the same retail zone in Morrison Hill Road, with a whole floor area of this new retail outlet being dedicated to the sale of KARTELL products. As the business of the retail outlet under closure gradually phased out and we dedicated increasingly less resources to the development of its business, losses were incurred accordingly in the later days. The other loss incurring retail outlet in the retail zone in Morrison Hill Road for the year ended 31 March 2014 was the same loss incurring retail outlet in this retail zone for the year ended 31 March 2013. During the year ended 31 March 2014, we re-designated and renovated this store to become a PANASONIC LED Concept Shop in Hong Kong. Losses were incurred as this retail store served its dual functions as being both retail outlets for making sales and also showrooms for showcasing PANASONIC LED lighting products and generally attributed a lower sales revenue as compared to our other retail outlets exclusively dedicated to making product sales. In addition, the cessation of business during the renovation period, during which no sales revenue was derived, also contributed to the loss incurred by this retail outlet for the year ended 31 March 2014.

Revenue by principal product categories

The table below set forth the breakdown of sales revenue for each of our product category of (i) lighting products — global and renowned brands; (ii) lighting products — non-global and casually known brands; (iii) commercial lighting apparatus and accessories; and (iv) designer label furniture and accessory products:

Revenue by principal product categories (Note)

	Year ended March 31, 2013				Year ended March 31, 2014			
	Sales revenue	%	Gross profit amount	Gross profit margin	Sales revenue	%	Gross profit amount	Gross profit margin
	HK$'000		HK$'000		HK$'000		HK$'000	
Lighting products — global and renowned brands	36,411	52.9%	20,909	57.4%	46,004	58.1%	27,870	60.6%
Lighting products — non-global and casually known brands	11,275	16.4%	5,055	44.8%	11,120	14.0%	5,487	49.3%
Commercial lighting apparatus and accessories	15,453	22.5%	11,064	71.6%	14,152	17.9%	9,680	68.4%
Designer label furniture and accessory products	5,640	8.2%	2,886	51.2%	7,882	10.0%	4,146	52.6%
Total	68,779	100.0%	39,914		79,158	100.0%	47,183	

Note: The foregoing classification is derived based on our Directors' judgment having regard to their knowledge and understanding of the market environment for lighting and furniture products. The first two product categories of "Lighting products — global and renowned brands" and "Lighting products — non-global and casually known brands" principally consist of lighting appliances commonly adopted for residential applications. The criteria adopted by our Directors in the foregoing product classification primarily includes our Directors' assessment of the perceived status and presence of the underlying product branding in the global marketplace and the general pricing level of the branded products. The third category of "Commercial lighting apparatus and accessories" principally consist of lighting appliances commonly adopted for commercial and non-residential applications. The fourth category of "Designer label furniture and accessory products" distinguishes itself from the foregoing three categories by being not related to illumination application.

In the above analysis, products classified as "Lighting products — global and renowned brands" principally consist of the product category of "Premium global brand luminaries" under the sub-section headed "Business — Our Products" of this prospectus. Other product categories under "Business" section of this prospectus classified in this product group includes

"Quality decorative lamps of primarily European origin", "Ceiling fan Light Fittings", as well as certain "LED light bulbs" and "Electrical switches and panels" judged by our Directors to be of global and renowned branding status.

In the above analysis, products classified as "Lighting products — non-global and casually known brands" principally consist of the product categories of "Contemporary lighting apparatus" and "Chandeliers and crystal lightings" under the sub-section headed "Business — Our Products" of this prospectus. Notwithstanding the crystal parts of chandeliers and crystal lightings may be sourced from manufacturers of global and renowned branding status, our Directors have included these lighting products under this classification in view that the mainframes of chandeliers and crystal lightings may be sourced from manufacturers of non-global and casually known branding status.

In the above analysis, products classified as "Commercial lighting apparatus and accessories" principally accord with the product category of "Commercial and architectural lighting apparatus and accessories" under the sub-section headed "Business — Our Products" of this prospectus. Other products categories in the "Business" section of this prospectus and classified in this product group includes certain "LED light bulbs" and "Electrical switches and panels" judged by our Directors to be of other than global and renowned branding status.

In the above analysis, products classified as "Designer label furniture and accessory products" principally accord with the product category of "Designer label furniture and accessory products" under the sub-section headed "Business — Our Products" of this prospectus.

Please refer to the sub-section headed "Business — Our Products" of this prospectus for the typical price range of the respective underlying product category.

Sale of lighting products of global and renowned brands for the years ended 31 March 2013 and 2014 amounted to approximately HK$36.4 million and HK$46.0 million, respectively. Throughout the Track Record Period, there was an increase in proportion of our sale of lighting products of global and renowned brands, which is in accordance with our retail market strategy in recent years to enhance business focus on high quality, premium priced branded products to accommodate the changing market environment. As we took in a number of global and renowned lighting brands in recent years, there was an overall increase in proportion of lighting products sales attributable to global and renowned brands, notably NOOVO which we solicited in 2012 and the sales turnover of whose products recorded markedly growth and more than doubled for the year concerned. The gross profit margin attained for lighting products of global and renowned brands for the years ended 31 March 2013 and 2014 amounted to approximately 57.4% and 60.6%, respectively. We consider the general growth in gross profit margin for lighting products of global and renowned brands as attributable to our active profiling to enhance our proportion of sales with premium lighting products with higher profit margin. In addition, as a number of models of the NOOVO branded lighting products by virtue of being manufactured in the PRC attribute a higher gross profit margin, as compared to certain other brands belonging to the same product category, the markedly growth in sales of NOOVO branded lighting products also enhanced our overall gross profit margin from sale of lighting products from global and renowned brands.

Sale of lighting products of non-global and casually known brands for the years ended 31 March 2013 and 2014 amounted to approximately HK$11.3 million and HK$11.1 million, respectively. Sale of lighting products of non-global and casually known brands accounted for approximately 16.4% and 14.0% of our total sales turnover for the years ended 31 March 2013 and 2014, respectively. As and when our sales of lighting products of global and renowned brands increased, there was correspondingly a decrease in our proportion of sale of lighting products of non-global and casually known brands within our overall product portfolio. The gross profit margin attained for lighting products of non-global and casually known brands for the years ended 31 March 2013 and 2014 amounted to approximately 44.8% and 49.3%, respectively. We consider the general growth in gross profit margin for lighting products of non-global and casually known brands as attributable to our adjustment in retail market strategy in recent years to enhance our focus on premium priced branded lighting products. As and when we upgraded our overall branding profile through the solicitation of premium global brands, our perceived advancement in market profile enables us to adopt a more aggressive pricing strategy for lighting products of non-global and casually known brands.

Sale of commercial lighting apparatus and accessories for the years ended 31 March 2013 and 2014 amounted to approximately HK$15.5 million and HK$14.2 million, respectively. The gross profit margin attained for commercial lighting apparatus and accessories for the years ended 31 March 2013 and 2014 amounted to approximately 71.6% and 68.4%, respectively. There was a noticeable decline in both sale revenue contribution and gross profit margin of commercial lighting apparatus and accessories for the year ended 31 March 2014 mainly because, incidental to a series of cooling measures introduced by the Hong Kong Government in October 2012 and February 2013 to curb over-heated property prices, there was reduced sales of these products to both commercial customers who installed these lightings in their own business establishments, as well as those we understood to be contractors undertaking construction works for demonstration booth of new residential housing estates.

Sale of designer label furniture and accessories for the years ended 31 March 2013 and 2014 amounted to approximately HK$5.6 million and HK$7.9 million, respectively. Sale of designer label furniture and accessories accounted for approximately 8.2% and 10.0% of our total sales turnover for the years ended 31 March 2013 and 2014, respectively. These furniture and accessories product sales were principally attributable to the designer label of KARTELL, which constituted the preponderance proportion of the designer label furniture products carried by ourselves. Our proportion of sale of designer label furniture and accessories increased during the year ended 31 March 2014 due to the continual growth in business of our KARTELL mono-branded furniture store and the opening of a retail outlet in July 2012 in Morrison Hill Road, with a whole floor area dedicated to the sale of KARTELL products, as previously mentioned. The gross profit margin attained for designer label furniture and accessories for the years ended 31 March 2013 and 2014 amounted to approximately 51.2% and 52.6%, respectively. We consider the gross profit margin for these products to remain fairly stable throughout the Track Record Period, and the marginal growth in gross profit margin is because as the business of our KARTELL retail outlets became increasingly stabilised, we expanded our product range by furnishing the store with a higher proportion of sizable furniture of higher value, which for certain of these items also encompassed higher profit margins.

The following analysis sets forth the revenue contribution from the principal global and renowned brands carried by ourselves for the Track Record Period, in respect of both lighting and furniture product sales:

Revenue by principal global and renowned brands

	Year ended March 31			
	2013		2014	
	HK$'000	%	HK$'000	%
NOOVO	4,140	9.8%	9,855	18.3%
KARTELL	5,762	13.7%	8,164	15.2%
ARTEMIDE	7,456	17.7%	6,625	12.3%
MANTRA	5,029	12.0%	4,512	8.4%
PANASONIC	1,337	3.2%	2,851	5.3%
MEGAMAN	2,165	5.1%	2,135	3.9%
TOM DIXON	3,144	7.5%	1,992	3.7%
Other brands *(Note)*	13,018	31.0%	17,752	32.9%
	42,051	100.0%	53,886	100.0%

Note: There were approximately a number of between 13 to 17 brands included in the category of "Other brands" above, for which we consider to have lesser significance to our Group as compared to the foregoing enlisted most important global and renowned brands.

Selling and distribution expenses

	Year ended 31 March			
	2013		2014	
	HK$'000	%	HK$'000	%
Operating lease rental payments	12,761	53.1%	17,102	57.8%
Staff cost	7,291	30.3%	7,554	25.5%
Electronic payment charges	1,002	4.2%	1,170	4.0%
Depreciation	672	2.8%	990	3.4%
Others *(Note)*	2,305	9.6%	2,743	9.3%
Total	24,031	100%	29,559	100%

Note: Others primarily include utility charges, rate charges, management fees and miscellaneous expenses.

Selling and distribution expenses were approximately HK$24.0 million and HK$29.6 million, respectively, represented approximately 34.9% and 37.3% of the sales revenue for the years ended 31 March 2013 and 2014, respectively. Our selling and distribution expenses primarily consist of rentals for our retail outlets and related expenses, staff cost including salaries and sales commission paid to our salesmen, electronic payment charges and depreciation. Sales commission for our sales staff are performance based and in addition to their basic salary.

Operating lease rental payments for retail stores, which constituted the majority proportion of our total rental expense, represented approximately 53.1% and 57.8% of our selling and distribution expenses for the years ended 31 March 2013 and 2014, respectively.

Our selling and distribution expenses for the year ended 31 March 2014 increased by approximately HK$5.6 million or 23.3% from the year ended 31 March 2013 primarily due to the increase in rental expenses by approximately HK$4.3 million as a result of the opening of three new retail outlets during the year ended 31 March 2014 and also increment to rental rate upon renewal of tenancies with existing stores. The increase in salaries and sales commission was as a result of hiring more sales staff principally to cope with the operations of the new stores and also more sales commission was paid upon increased sales turnover level. The increase in salaries and sales commission was less than proportionate than growth in turnover mainly because in view of the prevailing more difficult business environment we reduced the discretionary bonus for our sales staff. The increase in selling and distribution expenses was more than proportionate than growth in turnover mainly because we experienced a more difficult time with growing our revenue which generally attributed a lower sales volume per retail outlet for the year ended 31 March 2014 due to the prevailing more difficult business environment of low transaction volume with the property market, while fixed monthly rentals were paid for an increasing number of retail outlets as our retail network expanded. In particular, for our retail zone of Morrison Hill Road, which accounted for the highest share of our turnover for all retail zone, we recorded a decline in sales revenue for the year ended 31 March 2014, while with contracted tenancy terms we were effectively precluded from liaising for lower rental rates. In addition, certain new stores opened were still at their initial start-up phase and it takes time to build up sales volume, thus impeding ourselves from further enhancing our operational efficiency by achieving a more favourable ratio of selling and distribution expenses as percentage of sales turnover.

Administrative and other expenses

	Year ended 31 March			
	2013		2014	
	HK$'000	%	HK$'000	%
Operating lease rental payments	1,143	21.7%	1,404	13.9%
Staff cost (including directors)	3,166	60.2%	4,544	45.0%
Depreciation	22	0.4%	203	2.0%
Listing expenses	—	0.0%	2,758	27.3%
Others *(Note)*	930	17.7%	1,191	11.8%
Total	5,261	100.0%	10,100	100.0%

Note: Others primarily include audit fees, building management fees, water and electricity and miscellaneous expenses.

Administrative and other expenses were approximately HK$5.3 million and HK$10.1 million, respectively, representing approximately 7.6% and 12.8% of the total revenue for the years ended 31 March 2013 and 2014, respectively. Administrative and other expenses primarily consist of rentals for our office premise and warehousing facilities, staff cost including salaries paid to our administrative staff and emoluments to directors. For the year ended 31 March 2014, Listing expenses of approximately HK$2.8 million was also incurred.

Our administrative and other expenses for the year ended 31 March 2014 increased by approximately HK$4.8 million or 90.6% from the year ended 31 March 2013 primarily due to (i) the increase in rental expenses by approximately HK$0.3 million, mainly because we moved to a new office premise during the interim of the preceding year and rentals were paid at the correlating higher rental rate for the full 12 months comprising the year ended 31 March 2014; (ii) the increase in staff cost by approximately HK$1.3 million as we hired additional senior management to enhance our operation; and (iii) the incurrence of Listing expenses of approximately HK$2.8 million, which was not found in the preceding year.

Income tax expense

Our assessable profits were subject to Hong Kong profits tax at the applicable income tax rate of 16.5% during the Track Record Period. The effective tax rate incurred by our operation differ from the applicable income tax rate of 16.5% due to various factors of non-deductible expenses, tax deprecation allowance, available tax losses from prior years to offset against tax charges, etc. Set out below is the effective tax rate for the Track Record Period.

	For the year ended 31 March	
	2013	2014
Effective tax rate	14.8%	22.2%

For the year ended 31 March 2013, the effective tax rate of 14.8% was lower than the applicable income tax rate of 16.5% mainly because of tax over-provision in prior year and the different basis in calculating depreciation allowances for accounting purpose versus tax computation purpose. These effects accounted for approximately HK$0.2 million of our tax charges for the concerned year.

For the year ended 31 March 2014, the effective tax rate of 22.2% was higher than the applicable income tax rate of 16.5% because of the non-deductible Listing expenses charged to income statement of approximately HK$2.8 million. This effect accounted for approximately HK$0.5 million of our tax charges for the concerned year.

Save as disclosed in the sub-section headed "Business — Regulatory and Legal Compliance" of this prospectus, our Directors confirm that our Group had paid all relevant taxes and was not subject to any disputes or tax issues during the Track Record Period.

LIQUIDITY AND FINANCIAL RESOURCES

Our primary uses of cash are to satisfy our working capital requirements and capital expenditure needs, principally the expansion of our retail chain network. During the Track Record Period, our uses of cash have mainly been financed through cash received from our retail chain operations and also funding advance from Mr. Hui. As at 31 March 2014, we had cash and cash equivalents of approximately HK$4.1 million which are free of pledge, lien and other encumbrances.

Our working capital requirements mainly comprise of costs of purchase, staff costs, operating lease rental payments, and capital investment involved with the opening of new retail outlets. Going forward, our Directors expect that our working capital requirements for our future operations and expansion plan or liquidity will be met by cash generated from our retail chain operations as well as the net proceeds from the Placing. We have no current plan to obtain any banking facilities.

We may need additional cash resources in the future if we experience changing business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, and collaborations of other similar action. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain credit facilities, or sell or issue equity securities, which might result in dilution to the Shareholders. It is possible that financing may be affected by financial market volatility and credit tightening and, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all.

The following table is a condensed summary cash flow statements for the periods ended on the dates indicated:

	Year ended 31 March	
	2013	2014
	HK$'000	HK$'000
Net cash generated from operating activities	3,079	4,640
Net cash used in investing activities	(2,242)	(992)
Net cash used in financing activities	(517)	(3,095)
Net increase in cash and cash equivalents	320	553
Cash and cash equivalents at beginning of year	3,214	3,534
Cash and cash equivalents at end of year	3,534	4,087

Cash flows generated from operating activities

During the Track Record Period, we derived the cash inflows from operating activities principally from the income generated from our retail chain operations, whereas the cash outflows from operations is principally for the purchases of merchandise products, operating lease payments and staff costs.

Net cash generated from operating activities was approximately HK$3.1 million and HK$4.6 million for the years ended 31 March 2013 and 2014, respectively. Net cash from operating activities reflects our profit before income tax expense adjusted for: (i) non-cash items, which primarily comprise depreciation on property, plant and equipment; (ii) the effects of changes in working capital, which mainly comprise inventories, trade and other receivables, trade and other payables; and (iii) items not related to operating activities, principally Listing expenses.

For the year ended 31 March 2013, our cash generated from operating activities was approximately HK$3.1 million, comprising cash generated from operations of approximately HK$5.0 million, subtracted by income tax paid of approximately HK$1.9 million. Our cash generated from operating activities comprised operating cash flows before working capital changes of approximately HK$11.3 million and net negative adjustments for changes in working capital of approximately HK$6.3 million. Net negative adjustments for changes in working capital primarily reflected: (i) an increase in inventories of approximately HK$5.4 million related to product purchases for new store openings; and (ii) an increase in trade and other receivables of approximately HK$2.0 million for additional rental deposits paid for the new store openings; and (iii) an increase in trade and other payables of approximately HK$1.1 million related to product purchases for new store openings.

For the year ended 31 March 2014, our cash generated from operating activities was approximately HK$4.6 million, which comprised cash generated from operations of approximately HK$6.9 million, which was offset by income tax paid of approximately HK$2.3 million. Our cash generated from operating activities comprised operating cash flows before working capital changes of approximately HK$11.5 million and net negative adjustments for changes in working capital of approximately HK$4.6 million. Net negative adjustments for changes in working capital primarily reflected: (i) an increase in inventories of HK$5.4 million in relation to product purchases for new store openings, and the adjustment of product mix and other changes on our procurement pattern, as discussed in the below paragraph head "Analysis of selected items from the statements of financial position — Inventories" under this section; and (ii) an increase in current portion of trade and other receivables of approximately HK$1.5 million for additional rental deposits paid and prepayments for Listing expenses and renovation works in preparation of new store openings, as well as deferred repayment on part of certain commercial customers; and (iii) an increase in trade and other payables of approximately HK$2.3 million related to increased purchase of inventories due to our enlarged operations, adjustment to product mix and other changes in our procurement pattern. Net cash from operating activities increased from the year ended 31 March 2013 to the year ended 31 March 2014 mainly because of changes in our procurement pattern which resulted in an overall deferral in payment to certain of our major suppliers for balance outstanding as at the end of the Track Record Period.

Net cash used in investing activities

Net cash used in investing activities primarily reflects purchases of property, plant and equipment. For the year ended 31 March 2013 and 2014, our net cash used in investing activities was approximately HK$2.2 million and HK$1.0 million, respectively, primarily incurred for leasehold improvements in our retail outlets and computer equipment. The amount of net cash used in investing activities was higher for the year ended 31 March 2013, because in that year we had more number of new store openings with a total of 4 new retail outlets opened in a single year, including a flagship store in each of Hong Kong Island and the New Territories.

Net cash used in financing activities

For the years ended 31 March 2013 and 2014, our net cash used in financial activities was approximately HK$0.5 million and HK$3.1 million, respectively. Net cash used in financing activities for the year ended 31 March 2013 primarily reflected our repayment of amount due to a Controlling Shareholder, Mr. Hui. The amount due to a Controlling Shareholder has been fully settled as at the Latest Practicable Date and we do not anticipate cash outflow of the same financing nature in the foreseeable future. Net cash used in financing activities for the year ended 31 March 2014 primarily reflected our payment of Listing expenses.

CAPITAL EXPENDITURE

We procure the use of sites for all of our business premises including retail stores, office premises and warehousing facilities on the basis of operating lease rather than through acquisitions. As such, our capital expenditures throughout the Track Record Period have been manageable. Our capital expenditures principally consisted of purchases of property, plant and equipment of approximately HK$2.2 million and HK$1.0 million for the years ended 31 March 2013 and 2014, respectively. We primarily funded our capital expenditures through internal resources generated from our operations.

WORKING CAPITAL

As at 31 March 2013, 31 March 2014 and 31 July 2014, we had net current assets of approximately HK$9.4 million, HK$14.3 million and HK$15.3 million, respectively. The following table sets forth our current assets and liabilities as at the dates indicated:

	As at 31 March		As at 31 July
	2013	2014	2014
	HK$'000	HK$'000	HK$'000
Current assets			
Inventories	12,139	17,516	16,007
Trade and other receivables	2,192	3,451	5,452
Tax recoverable	162	649	649
Cash and bank balances	3,534	4,087	4,454
	18,027	25,703	26,562
Current liabilities			
Trade and other payables	4,989	7,626	7,184
Amount due to a controlling shareholder	3,013	3,124	3,102
Current tax liabilities	619	681	995
	8,621	11,431	11,281
Net current assets	9,406	14,272	15,281

The increase in net current assets from 31 March 2013 to 31 March 2014 primarily reflected (i) an increase in inventories to accommodate our enlarged sales capacity as we opened three additional retail outlets during the year and also as a result of the adjustment of our product mix to enhance the proportion of high value merchandise product items. These and other changes on our procurement pattern are discussed in the below paragraph headed "Analysis of selected items from the statements of financial position — Inventories" under this section; (ii) an increase in trade and other receivables out of additional rental deposits for our new store openings and prepayment for Listing expenses; and (iii) cash and cash equivalents which increased from our profitable operations. These effects were partially offset by an increase in trade and other payables as a result of increased purchase of inventories, and changes in our procurement pattern which resulted in an overall deferral in payment to certain of our major suppliers.

The increase in net current assets from 31 March 2014 to 31 July 2014 primarily reflected (i) an increase in trade and other receivables out of additional rental deposits upon renewal of tenancies for our warehousing facilities at higher rental rates and prepayment for Listing expenses; and (ii) cash and cash equivalents which increased from our profitable operations. These effects were partially offset by an increase in current tax liabilities attributable to assessable profits derived for the intervening period.

ANALYSIS OF SELECTED ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Non-current assets of Rental Deposits

Non-current assets of rental deposits represent those portions of rental deposits paid for the leased use of our office premises, retail outlets and warehousing facilities that will fall due after 12 months after the following respective indicated dates. The following set forth the carrying amounts of our rental deposits as at the indicated dates:

	As at 31 March	
	2013	2014
	HK$'000	HK$'000
Rental Deposits, non-current portion	3,317	4,391

Our non-current assets of rental deposits as at 31 March 2013 and 2014 had balances of approximately HK$3.3 million and HK$4.4 million, respectively. The increase in balance was primarily due to the inception of new operating leases which underlies the use of our premises for an aggregate of three new retail outlets opened during the year ended 31 March 2014, including a flagship store in Kowloon, and also additional rental deposits paid for increment in monthly fixed rentals by approximately 25% upon the renewal of tenancies for certain of our existing retail outlets.

Trade and Other Receivables

Trade and other receivables comprise trade receivables, deposits and other receivables and prepayments. The following table set forth our trade and other receivables as at the indicated dates:

	As at 31 March	
	2013	2014
	HK$'000	HK$'000
Trade receivables	607	775
Deposits and other receivables	4,870	5,922
Prepayments	32	1,145
	5,509	7,842
Less: non-current — rental deposits	(3,317)	(4,391)
	2,192	3,451

We had trade receivables of approximately HK$0.6 million and HK$0.8 million as at 31 March 2013 and 2014, respectively. The majority of our retail customers for residential lighting products settled the sales invoiced value in full with cash or credit card payment at the point-of-sale. Accordingly, our trade receivables are mainly related to sales to our commercial customers such as architects and building contractors, as these are principally the customers to whom we grant credit terms of mostly 30 days.

The marginal increase in our trade receivables from 31 March 2013 to 31 March 2014 was because there was more credit sales to commercial customers during the last quarter of the year ended 31 March 2014. As customers for these products are architects and building contractors and their contract activities tend to lead the end users of properties, there were corresponding better sales during the last quarter of the year with emerging signs of rebound in the number of transactions with the Hong Kong property market. The majority of the related receivables were still within the credit period allowed for settlement. Our trade receivables for each of the Track Record Period related to a wide range of customers, with the maximum individual receivable balance amounting to not more than HK$60,000, which is insignificant. Accordingly, we consider we do not have material exposure to recoverability issues for our trade receivables.

The table below sets forth an ageing analysis of our trade receivables past due but not impaired and our trade receivable turnover days as at the dates and for the periods indicated:

	Year ended 31 March	
	2013	**2014**
	(HK$'000, except turnover days)	
Amount past due but not impaired	373	359
Trade receivable turnover days *(Note)*	2.2	3.2

Note: Trade receivable turnover days are calculated as the average trade receivable outstanding for the year, divided by the turnover for the year and multiplied by 365 days.

We had trade receivables past due but not impaired of approximately HK$0.4 million as at each of 31 March 2013 and 2014, respectively. The amount past due but not impaired were all due from Independent Third Party customers with no recent history of default. We recorded trade receivable turnover days of approximately 2.2 days and 3.2 days for the years ended 31 March 2013 and 2014, respectively. We consider the increase in trade receivable turnover days to be inconsequential. Our trade receivable turnover days throughout the Track Record Period was substantially less than the credit periods of mostly 30 day we extended to our commercial customers, as the majority proportion of our sales are either cash sales or settled with credit cards rather than sales with credit terms granted.

As at 31 July 2014, trade receivables of approximately HK$0.7 million or approximately 89.2% of our trade receivables as at 31 March 2014 had been settled. During the Track Record Period, we had no material defaults in payment of trade and non-trade receivables.

Deposits and other receivables in the amount of approximately HK$4.9 million and HK$5.9 million as at 31 March 2013 and 2014, respectively, primarily comprised of rental and utility deposits, deposits paid to credit card centers, deposits paid in advance to our suppliers for purchase of merchandise items, etc. The increase in balance as at 31 March 2014 primarily reflected the increase in our rental deposits as we opened new stores and increment in rental rates upon renewal of our existing tenancy agreements.

Prepayments in the amount of approximately HK$1.1 million as at 31 March 2014 primarily comprised of prepaid Listing expenses of approximately HK$0.9 million, and also prepayments for purchase from suppliers. The prepaid Listing expenses will either be charged to the income statement in future financial period or deducted from equity upon completion of Listing. Prepayments as at 31 March 2013 is nil because the preparation work for Listing has not then commenced.

Inventories

Our inventories principally comprise merchandise products we purchase from our suppliers for resale throughout our retail chain network. The table below sets forth our inventory balances and inventory turnover days as at the dates indicated:

	Year ended 31 March	
	2013	**2014**
	(HK$'000, except turnover days)	
Inventories of merchandising items	12,139	17,516
Inventory turnover days *(Note)*	119.4	169.3

Note: Inventory turnover days are calculated as the average inventory balances outstanding for the year, divided by the cost of sales for the year and multiplied by 365 days.

Our inventories as at 31 March 2013 and 2014 amounted to approximately HK$12.1 million and HK$17.5 million, respectively. Inventories as at 31 March 2014 increased by approximately 44.6%, as compared with that of 31 March 2013 and the inventory turnover days increased, mainly due to the following factors:

(i) During the year ended 31 March 2014, we opened an additional three new retail outlets, including a flagship lighting and furniture store on the side of the Kowloon Peninsula, which together attribute an aggregate floor area of 2,348 sq.ft. We opened an additional retail outlet attributing a floor area of 2,000 sq.ft. in late May 2014. As we stocked up increasing warehouse inventory hoarding to accommodate our enlarged scale of operation and in anticipation of the new store opening, there was a corresponding markedly increase in our inventories, both for making merchandising sales and also for display in these new retail outlets. In accordance with our strategic direction in focusing on high quality branded lighting products, we have furnished these new stores and also certain of our other existing stores with a higher proportion of LED and lighting appliance products of global and renowned brands, which generally attribute a high value per piece of merchandise product item. In addition, because of the earlier Chinese New Year holiday for 2014, a few of our purchase orders laid before the festival with certain of our suppliers whose products being manufactured in the PRC were delivered early and received by us before 31 March 2014 due to the longer turnaround production time, thus further adding to our inventories. We estimated that these factors together accounted for approximately HK$2.8 million increase in our inventory balance;

(ii) As our furniture product sales increased, we have accordingly stocked up increased proportion of designer label furniture product items with our overall inventory hoarding. For the years ended 31 March 2013 and 2014, furniture product sales accounted for approximately 8.2% and 10.0% of our total sales turnover, respectively. As furniture products generally attribute a higher value per item as compared to lighting products by virtue of the difference in nature of the merchandising product, there was a discernable upside effect on our overall inventory balance. In addition, during the interim of the year ended 31 March 2014 we were offered bulk purchase discount by KARTELL, our principal supplier of designer label furniture products. Accordingly, we have raised the monetary balance of our purchase orders with KARTELL in order to take advantage of the bulk purchase discount offer and certain of the related inventories which underlined these purchase orders remained unsold as at 31 March 2014. In addition, there were goods in transit of KARTELL products in the amount of approximately HK$0.7 million as at 31 March 2014, of which the title to goods is considered already passed to us in accordance with the terms of purchase and accordingly included in our inventories as at 31 March 2014. We estimated that these factors together accounted for approximately HK$1.6 million increase in our inventory balance;

(iii) We increased the stock keeping units for approximately 20 models of PANASONIC LED designs launched by the authorised wholesaler of PANASONIC products in Hong Kong during the year. As new LED product designs may take a longer while to build up market momentum, a higher proportion of these stock keeping units remained unsold as at 31 March 2014. Notwithstanding the aforesaid, we consider the maintenance of these stock keeping units consolidate our position as the principal distributor in Hong Kong of PANASONIC LED products and confer us with long term benefits. We opened our second PANASONIC LED Concept Shop in March 2014 and further added to our inventories by virtue of the stock hoarding of PANASONIC LED products with this new store. We estimated that these factors accounted for approximately HK$1.0 million increase in our inventory balance.

The following table illustrates the ageing analysis of inventories as of 31 March 2013 and 2014.

	As at 31 March	
	2013	2014
	HK$000	HK$000
1–30 days	817	3,404
31–90 days	1,790	2,589
91–182 days	3,478	3,656
183–365 days	3,941	5,165
1–2 years	1,236	1,299
2–3 years	282	775
Over 3 years	595	628
	12,139	17,516
Impairment	—	—
	12,139	17,516

As at 31 July 2014, inventories in the amount of approximately HK$7.3 million or 41.7% of the inventory balance as at 31 March 2014 has been sold.

It is our policy to make assessment of impairment and identify individual obsolete items by regularly reviewing the subsequent sales and market prices of our products, taking into account of the ageing position as reference. We made impairment of inventories in order to adjust for the value of slow-moving inventories which estimated realisable values fell below the then carrying amounts. Details of out provisioning policies as set out in the sub-section headed "Critical Accounting Policies and Estimates" under this section. We have not identified material inventory items requiring impairment at each of the above reporting dates.

The inventory balance as at 31 March 2014 of approximately HK$17.5 million comprised a wide variety of items and models with the maximum carrying value of each inventory item amounting to not more than HK$300,000.

For inventories of ageing over 2 years as at 31 March 2014, certain of these items are display items in our retail outlets and as such we consider it is normal for them to have a longer than usual ageing. For the remaining inventory items of ageing over 2 years, they are attributable to a variety of models with the maximum balance involved of a single model amounting to not more than HK$40,000. As such, we consider there is no concentration of obsolescence exposure. We consider any obsolescence issues that may arise with a particular model could readily be dealt with by offering these models to the market at reasonable discounted prices without a loss being sustained by us.

In view of the wide variety of items included in the inventories and the immateriality of a single product item to our overall inventory hoarding, we consider there is no accumulation of inventories.

Trade and Other Payables

Trade and others payables comprise trade payables, receipt in advance, accruals and other payables. The following table set forth our trade and other payables as at the indicated dates:

	As at 31 March	
	2013	2014
	HK$'000	HK$'000
Trade payables	2,061	4,597
Receipt in advance	1,182	723
Accruals and other payables	1,746	2,306
	4,989	7,626

Trade payables principally comprise payables to our suppliers for the purchase of merchandise items. The following table sets forth the turnover days of trade payables for the reporting periods indicated:

	Year ended 31 March	
	2013	2014
Trade payable turnover days *(Note)*	25.4	38.0

Note: Trade payable turnover days is calculated as the average trade payables balance outstanding for the year, divided by cost of sales for the year and multiplied by 365 days.

Our trade payables as at 31 March 2013 and 2014 amounted to approximately HK$2.1 million and HK$4.6 million, respectively. The increase in our trade payables from 31 March 2013 to 31 March 2014 was primarily because (i) more purchase of merchandise items were made to accommodate our enlarged scale of operation due to new store openings. As certain of these stores are furnished with a higher proportion of premium lighting products of generally higher value, correspondingly there was a discernable increase in our trade payables; (ii) early deliveries were made in respect of purchase orders laid before the Chinese New Year holiday, which necessitates the recognition at year end of the correlating trade payables; (iii) the deferral of repayment to designer label of KARTELL, as this supplier granted us 60 days credit terms beginning this year in lieu of payment in advance in the past. As KARTELL is our principal supplier of furniture products, the effect on our trade payables increase is evident; and (iv) recognition of trade payables for goods in transit of KARTELL products as at 31 March 2014.

We recorded trade payable turnover days of 25.4 days and 38.0 days for the years ended 31 March 2013 and 2014, respectively. These trade payable turnover days reflected the 30 to 60 day credit periods normally extended to us by our suppliers. The increase in trade payable turnover days for the year ended 31 March 2014 was mainly because the upsurge in closing balance of trade payables as explained above.

The following table sets forth the ageing analysis of trade payables as at the indicated dates:

	As at 31 March	
	2013	2014
	HK$'000	HK$'000
0 to 30 days	1,335	2,712
31 to 60 days	427	409
61 to 90 days	244	302
Over 90 days	55	1,174
	2,061	4,597

Out of the trade payables of ageing over 60 days as at 31 March 2014, amounts of HK$0.4 million were overdue for repayment.

As at 31 July 2014, trade payables of approximately HK$2.2 million or approximately 48.9% of our trade payables as at 31 March 2014 had been settled. Trade payables as at 31 March 2014 that remained not settled subsequent to the end of Track Record Period principally involve trade credit terms of 180 days which shall fall due for repayment at a later date. During the Track Record Period, we had no material defaults in payment of trade and non-trade payables.

Receipt in advance of approximately HK$1.2 million and HK$0.7 million as at 31 March 2013 and 2014, respectively, represents invoiced sales proceeds received from our customers pending physical delivery of goods to customers' specified address. In accordance with our accounting policy, these amounts are only recognised as sales revenue upon physical delivery of goods to our customers is made. We consider the variations in receipt in advance from 31 March 2013 to 31 March 2014 was within usual business fluctuations and was incidental to more sales being made around the 31 March 2014 year end with customers making self-deliveries.

Accruals and other payables in the amount of approximately HK$1.7 million and HK$2.3 million as at 31 March 2013 and 2014, respectively, represents payment in arrears for expenses incurred of staff salaries, audit and professional fees, and other miscellaneous overhead. We consider the increase in accruals and other payables was generally in line with our expanding scale of operation, including the increase in our headcount on payroll which contributed to higher amounts of accruals for salaries.

Amount due to a Controlling Shareholder

We have the following amount due to a Controlling Shareholder as at the indicated dates:

	As at 31 March	
	2013	2014
	HK$'000	HK$'000
Amount due to a Controlling Shareholder	3,013	3,124

The amount due to a Controlling Shareholder represents business funding advanced by Mr. Hui to our Group. Previously, a significant proportion of our cash sales proceeds were repaid as settlement against amount due to a Controlling Shareholder. Further details of which are set out in the paragraph headed "Business — Sales and marketing — cash management" of this prospectus. As at the Latest Practicable Date, all outstanding amount due to a Controlling Shareholder has been settled and all such transactions of cash repayment to Controlling Shareholder has ceased.

INDEBTEDNESS

Amount due to a Controlling Shareholder

Our indebtedness during the Track Record Period consists of amount due to a Controlling Shareholder. The following table set forth the amount involved as at the indicated dates:

	As at 31 March	
	2013	2014
	HK$'000	HK$'000
Amount due to a Controlling Shareholder	3,013	3,124

The amount was due to Mr. Hui and was unsecured, interest free and repayable on demand.

Our amount due to a Controlling Shareholder as at 31 March 2013 and 2014 had balances of approximately HK$3.0 million and HK$3.1 million, respectively. The amount represented advance from Mr. Hui for financing our daily operations. The net movement in balance of amount due to a Controlling Shareholder during the year ended 31 March 2014 was the result of further advance during the year net of repayment made with proceeds collected from cash sales in our retail outlets. Please refer to the paragraph headed "BUSINESS — Sales and marketing — cash management" of this prospectus for further details of the Settlement Arrangement (as defined in the referred paragraph).

As at the close of business on 31 July 2014, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the date of this prospectus, we had amount due to a Controlling Shareholder of approximately HK$3.1 million. The amount was due to Mr. Hui and was unsecured, interest free and repayable on demand.

Debt Securities

As at the close of business on 31 July 2014, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the date of this prospectus, we had no debt securities issued outstanding or authorised or otherwise created but unissued.

Contingent Liabilities

As at the close of business on 31 July 2014, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the date of this prospectus, we did not have any material contingent liabilities.

Disclaimers

Save as aforesaid or as otherwise disclosed herein, our Directors have confirmed that our Group did not have outstanding at the close of business on 31 July 2014, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the date of this prospectus, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgage, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, our Directors have confirmed that there has not been any material change in our indebtedness, capital commitment and contingent liabilities since 31 July 2014.

OPERATING LEASE COMMITMENTS

Our contractual commitments are primarily related to the leases in respect of our properties of our office premises, retail stores and warehouses under non-cancellable operating lease agreements. The terms of the lease agreements range between two to three years, and certain of the lease arrangements are renewable at the end of the lease period at market rate to be agreed with landlords. The following table set forth our future aggregate minimum lease payments under non-cancellable operating leases:

	As at 31 March	
	2013	2014
	HK$'000	HK$'000
Amount falling due:		
— not later than one year	13,022	17,758
— later than one year and not later than five years	12,589	11,135
	25,611	28,893

In addition to the foregoing, three of our retail outlets call for additional operating lease rentals based on a certain percentage of the monthly revenue generated by the subject retail outlets. The operating lease commitments in respect of these additional rentals payable have not been included in the foregoing analysis by virtue of their variable nature.

Our operating lease commitments increased from approximately HK$25.6 million as at 31 March 2013 to approximately HK$28.9 million as at 31 March 2014, representing an increase of approximately 12.9%. Such increase was primarily due to the inception of new operating leases which underlies the use of our premises for our new retail outlets opened during the year ended 31 March 2014, including a flagship store on the side of Kowloon Peninsula, and also an increment in monthly fixed rentals by approximately 25% upon the renewal of tenancies for certain of our existing retail outlets.

CONTINGENT LIABILITIES

During the Track Record Period and as at the Latest Practicable Date, we had no contingent liabilities of material amounts not already provided for in presenting the Accountants' Report set out in Appendix I to this prospectus.

OFF BALANCE SHEET TRANSACTIONS

We have not entered into any material off balance sheet transactions or arrangements during the Track Record Period.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, our Directors are of the opinion that these transactions were conducted on normal commercial terms. For further details of related party transactions, please refer to the section headed "Related Party Transactions" in the Accountants' Report set out in Appendix I to this prospectus.

PROPERTY INTERESTS

As at the Latest Practicable Date, we procure the use of all our properties of office premises, retail outlets and warehouses on an operating lease basis, the details of which are set out in the sub-section headed "Business — Leased properties" of this prospectus.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 29 November 2013. As at 31 March 2014, our Company had no reserve available for distribution to the Shareholders.

MAJOR FINANCIAL RATIOS ANALYSIS

The tables below set forth certain of our major financial ratios as at the dates indicated:

	As at 31 March	
	2013	**2014**
Current ratio *(Note 1)*	2.1	2.2
Quick ratio *(Note 2)*	0.7	0.7
Gearing ratio *(Note 3)*	Nil	Nil
Debt to equity ratio *(Note 4)*	(23.2)%	(19.4)%

	Year ended 31 March	
	2013	**2014**
Gross profit margin *(Note 5)*	58.0%	59.6%
Net profit margin *(Note 6)*	13.2%	7.4%
Return on total assets *(Note 7)*	37.9%	18.0%
Return on equity *(Note 8)*	84.5%	32.2%
Interest coverage *(Note 9)*	N/A	N/A

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities.

(2) Quick ratio is calculated based on the current assets less inventories, divided by current liabilities.

(3) Gearing ratio is calculated by dividing the total debts by total equity attributable to owners of our Company and multiplied by 100%. Total debts are defined to include all borrowings and payables incurred not in the ordinary course of business. For the avoidance of doubt, total debts exclude amount due to a Controlling Shareholder.

(4) Debt to equity ratio is calculated as the total debt net of cash and bank balances and divided by total equity. For the avoidance of doubt, total debts exclude amount due to a Controlling Shareholder.

(5) Gross profit margin is calculated by dividing the gross profit by revenue for each year and multiplied by 100%.

(6) Net profit margin is calculated by dividing the profit attributable to owners of our Company by revenue for each year and multiplied by 100%.

(7) Return on total assets equals to net profit attributable to owners of our Company for each year divided by the total assets and multiplied by 100%.

(8) Return on equity is calculated as the profit for the year divided by the average total equity outstanding during the year.

(9) Interest coverage is calculated as the profit before interest and tax divided by finance cost.

Current ratio

Our current ratio was approximately 2.1 times and 2.2 times as at 31 March 2013 and 2014, respectively. Our current ratio was comparable for both years and there were minimal changes because a considerable portion of our cash generated from operations were conserved and retained as our current asset items of inventories, bank balances, etc., rather than invested or distributed as dividends, and these current assets and our current liabilities applied in the calculation of the current ratio essentially grow concurrently over the Track Record Period.

Quick ratio

Our quick ratio was approximately 0.7 times as at both of 31 March 2013 and 2014. There was practically no change in our quick ratio because a considerable portion of our net cash inflow from our profitable operation was invested in inventories which were excluded from the calculation of the quick ratio, and the rest of our current assets and current liabilities applied in the calculation of the quick ratio essentially grow concurrently over the Track Record Period.

Gearing ratio

Our gearing ratio was nil as at both of 31 March 2013 and 2014, as we financed our operations from internally generated funds and advance from a Controlling Shareholder, and did not raise any external debt financing throughout the Track Record Period.

Debt to equity ratio

Our debt to equity ratio was approximately (23.2)% and (19.4)% as at 31 March 2013 and 2014, respectively. As our cash reserve increases overtime with profitable operation and we did not raise any external debt financing during the Track Record Period, we had net cash to equity position, which resulted in a negative debt to equity ratio. We consider the increase in our debt to equity ratio for the year ended 31 March 2014 was because of higher cash retention for the concerned year as we spent less on capital expenditure for the opening of new stores.

Gross profit margin

Our gross profit margin was approximately 58.0% and 59.6% for the years ended 31 March 2013 and 2014, respectively. We consider the growth in gross profit margin for the year ended 31 March 2014 was mainly attributable to our active store profiling of the product mix including the enhancing of our focus on high quality; premium priced European branded products and LED products, and also the growth of lighting business with our retail zone in Shatin, New Territories.

Net profit margin

Our net profit margin was approximately 13.2% and 7.4% for the years ended 31 March 2013 and 2014, respectively. The decline in our net profit margin for the year ended 31 March 2014 was mainly attributable to (i) the incurrence of Listing expenses of approximately HK$2.8 million; (ii) the increase in rental expenses for new retail stores opened during the year and also increment in rental rate upon renewal of tenancies for certain existing retail outlets; and (iii) the increase in staff cost.

Return on total assets

Our return on total assets was approximately 37.9% and 18.0% for the years ended 31 March 2013 and 2014, respectively. The decline in our return on total assets for the year ended 31 March 2014 was congruent with the decline in our net profit margin, for the reasons mentioned above. The faster rate of decline in return on total assets, as compared to net profit margin, reflected the stabilisation and slow-down of our high growth phrase in business from preceding years to a more sustainable level.

Return on equity

Our return on equity was approximately 84.5% and 32.2% for the years ended 31 March 2013 and 2014, respectively. The decline in our return on equity for the year ended 31 March 2014 was congruent with the decline in our net profit margin, for the reasons mentioned above. Return on equity declined at a faster rate, as compared to net profit margin, because in prior years we distributed as dividends most of the profits from operations and therefore we started with a disproportionately lower average equity balance at the beginning of the Track Record Period, which correspond to a comparatively higher than normal sustainable return on equity for the preceding year.

Interest coverage

Our interest coverage for the years ended 31 March 2013 and 2014 was not applicable as our only financing during the Track Record Period was funding advance from a Controlling Shareholder which is interest free.

SENSITIVITY ANALYSIS

The following is a sensitivity analysis of the impacts of hypothetical fluctuations in our average customer spending per sales transaction and the major operating costs of our retail chain business operation, including cost of sales, operating lease rental payments and staff cost, on our Group's profit before income tax expense and profit or loss for the years comprising the Track Record Period. The sensitivity analysis is performed with reference to the historical changes in assumptions regarding our average customer spending per sales transaction, cost of sales, operating lease payments and staff cost with all other assumptions held constant.

		Year ended 31 March			
		2013		2014	
	Increase/ (decrease) in percentage	(Decrease)/ increase in profit before income tax expense	(Decrease)/ increase in profit for the year	(Decrease)/ increase in profit before income tax expense	(Decrease)/ increase in profit for the year
		HK$'000	HK$'000	HK$'000	HK$'000
Average customer spending per sales transaction	11.5%	7,910	6,605	9,103	7,601
	(11.5)%	(7,910)	(6,605)	(9,103)	(7,601)
Cost of sales	11.0%	(3,175)	(2,651)	(3,517)	(2,937)
	(11.0)%	3,175	2,651	3,517	2,937
Operating lease rental payments	45.0%	(6,257)	(5,225)	(8,328)	(6,954)
	(45.0)%	6,257	5,225	8,328	6,954
Staff cost	16.5%	(1,721)	(1,437)	(1,996)	(1,667)
	(16.5)%	1,721	1,437	1,996	1,667

Average customer spending per sales transaction

Changes in customer spending pattern and hence fluctuations in the average customer spending per sales transaction will affect the revenue generated from our retail chain business. In respect of our lighting product sales, the average customer spending per sales transaction for the years ended 31 March 2013 and 2014 were approximately HK$3,261 and HK$3,629, respectively. In respect of our furniture product sales, the average customer spending per sales transaction for the years ended 31 March 2013 and 2014 were approximately HK$5,906 and HK$6,148, respectively.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in the average customer spending per sales transaction on our profit before income tax expense and profit for the year during the Track Record Period. For the year ended 31 March 2014, the average customer spending per transaction for lighting product sales and furniture product sales increased by approximately 11.3% and 4.1%, respectively, as compared with those for the year ended 31 March 2013. Therefore, in presenting the above sensitivity analysis, a change of 11.5% in the average customer spending per transaction, being approximately the maximum degree of historical change, is assumed for each of the Track Record Period.

Cost of sales

Cost of sales mainly represents the procurement cost for the purchase of merchandise products and is the largest component of our operational cost and overhead. Fluctuations in our cost of sales have a direct and significant impact on our profit margins. For the years ended 31 March 2013 and 2014, our cost of sales were approximately HK$28.9 million and HK$32.0 million, respectively.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of sales on our profit before income tax expense and profit for the year during the Track Record Period. For the year ended 31 March 2014, our cost of sales increased by approximately 10.7% as compared with that for the year ended 31 March 2013. Therefore, in presenting the above sensitivity analysis, a change of 11% in cost of sales, being approximately the maximum degree of historical change, is assumed for each of the Track Record Period.

Operating lease rental payments

As at the Latest Practicable Date, we procure the use of sites for all of our business premises including retail stores, office premises and warehousing facilities on the basis of operating lease. Our leases generally have a term of two to three years. Our operating lease rental payments for the years ended 31 March 2013 and 2014 were approximately HK$13.9 million and HK$18.5 million, respectively.

In view of the prevailing rental trends of retail premises in Hong Kong, we may not be able to renew the existing lease arrangements on terms and conditions that are commercially acceptable to us or we may have to renew such leases on a more expensive basis, thus increasing our costs of operation. The continuous expansion of our retail chain network will also increase our rental costs in the future.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in operating lease payments on our profit before income tax expense and profit for the year during the Track Record Period. Renewal was made of the lease agreements underlying certain of our business premises during the Track Record Period, and the increment in monthly fixed rentals ranges from approximately 10% to 45%. Accordingly, in the above sensitivity analysis, a change of 45% in our operating lease payments, being the maximum degree of historical change, is assumed for each of the Track Record Period.

Staff cost

Our retail chain operations depend on the hiring and retaining of experienced salesmen to interact with our customers on a daily basis. In addition, we have reliance on our experienced management team to manage our business operations. As our business operations expand, we expect to hire more staff and our staff costs will continue to increase. The competition in the labour market for staff of appropriate experience with the retail industry may also increase the salary level and correspondingly our costs associated with hiring and retaining staff, which in turn may affect our results of operations. For the years ended 31 March 2013 and 2014, our staff costs (including directors' emoluments) including wages and salaries, provident fund contributions, employee benefits expense amounted to approximately HK$10.4 million and HK$12.1 million, respectively, representing approximately 15.1% and 15.3% of our sales revenue for the corresponding years, respectively.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in staff cost on our profit before income tax expense and profit for the year during the Track Record Period. For the year ended 31 March 2014, our staff cost increased by approximately 16.3% as compared with those for the year ended 31 March 2013. Therefore, in the above sensitivity analysis, a change of 16.5% in our staff cost, being approximately the maximum degree of historical change, is assumed for each of the Track Record Period.

SUFFICIENCY OF WORKING CAPITAL

Our Directors, are of the opinion that, taking into account its financial resources presently available to our Group, including our operating cash flow and the expected proceeds from the Placing, our Group has sufficient working capital for our present working capital requirements, that is for at least the next twelve months from the date of this prospectus.

DIVIDEND POLICY

No dividends have been declared and paid by the companies now comprising our Group to their then respective shareholders during the Track Record Period and up to the Latest Practicable Date.

After completion of the Placing, our Shareholders will be entitled to receive dividends only when declared by our Directors. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted net tangible assets has been prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Placing on our combined net tangible assets as at 31 March 2014 as if it had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our financial position had the Placing been completed as at 31 March 2014 or as at any future dates. It is prepared based on the combined net assets of our Group as at 31 March 2014 as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 March 2014 *(Note 1)*	Estimated net proceeds from the Placing *(Note 2)*	Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of our Company *(Note 3)*
	HK$'000	HK$'000	HK$'000	HK$
Based on the Placing Price of HK$0.5 per Share	21,101	37,113	58,214	0.15
Based on the Placing Price of HK$0.6 per Share	21,101	46,713	67,814	0.17

Notes:

(1) The audited combined net tangible assets attributable to owners of our Company as at 31 March 2014 is extracted from the Accountants' Report, which is based on the audited combined net assets of our Group attributable to owners of our Company as at 31 March 2014 of HK$21,101,000.

(2) The estimated net proceeds from the Placing are based on 100,000,000 Placing Shares and the Placing Price of HK$0.5 per Share and HK$0.6 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of any Shares which may be allotted and issued or repurchased by our 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.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Placing. It does not take into account any Shares which may be allotted and issued or repurchased by our 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 reflect any trading result or other transaction of our Group entered into subsequent to 31 March 2014.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

(a) Foreign exchange risk

We undertake certain purchase transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

We are mainly exposed to foreign exchange fluctuation of the Euro, United States dollar and Renminbi against Hong Kong dollar.

Since Hong Kong dollar is pegged to United States dollar, management considers that there is no significant foreign currency risk between these two currencies to us.

Our trade payables denominated in Euro and Renminbi are in insignificant amount at the end of each year comprising the Track Record Period. Our Directors are of the opinion that the volatility of our profits against change in exchange rate of Euro and Renminbi would not be significant. Accordingly, no sensitivity analysis is performed.

(b) Credit risk

Credit risk includes risks resulting from counter party default and risks of concentration. We have no significant credit risk as most of the retail sales are made in cash or by credit cards. In respect of sales on credit, we trade on credit only with corporate customers who have an established trading history with our Group. We have policies in place for the control and monitoring of relevant credit risks. These credit evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Our Directors are of the opinion that our Group does not have significant credit risks because we mainly trades with customers who have established trading history with our Group. The exposure to credit risk is closely monitored on an ongoing basis.

The credit risks on rental deposits are considered to be low as they can be recovered by offsetting against the rental payments.

The credit risk on cash and cash equivalents is limited because the counterparties are reputable and creditworthy banks.

(c) Liquidity risk

Liquidity risk relates to the risk that our Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Our Group is exposed to liquidity risk in respect of settlement of trade and other payables and amount due to a Controlling Shareholder, and also in respect of its cash flow management. The cash management of all operating entities is centralised, including the raising of funds to cover expected cash demands. Our objective is to maintain sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As at 31 March 2013 and 2014, our financial liabilities will be due for settlement either on demand or within one year. The liquidity policies have been consistently applied by our Group and are considered effective in managing the liquidity risks.

(d) Fair value

The fair values of our Group's financial assets and liabilities as at 31 March 2013 and 2014 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

SUSTAINABILITY OF OUR GROUP'S BUSINESS

Our recent financial performance was negatively affected by the prevailing environment with the Hong Kong property market of halted high price level with significant downturn in number of transactions, which is incidental to a series of cooling measures introduced by the Hong Kong Government since February 2013 to curb over-heated property prices. Correspondingly, we believe there was a contraction of our lighting product sales, on a per shop basis, both to public customers who undergo renovations of home furnishing, and also commercial customers whom we understood to be contractors undertaking construction works for demonstration booth of new residential housing estates. We consider the prevailing situation with the Hong Kong property market of halted high price level with significant downturn in number of transactions may continue to post challenging business environment for our retail chain business. Notwithstanding the aforesaid, our Directors are positive of future prospect with the lighting industry and believe our Group's business will remain sustainable into the foreseeable future.

We have demonstrated our ability to grow our business in the midst of prevailing difficult business environment

Notwithstanding the prevailing difficult business environment in Hong Kong, we managed to achieve a continual growth of our business. Throughout the Track Record Period, both of our turnover and gross profit margins exhibited a growth trend over time. Please refer to the Accountant's Report set out in Appendix I to this prospectus for details of our financial results for the Track Record Period. We attribute such continual growth of our business to mainly the result of our endeavor in recent years of active store profiling and adjustment of our products mix, whereby we enhanced our product portfolio with a higher proportion of merchandise items commanding a generally higher profit margin to accommodate the changing market environment. Our Directors consider that we have proven our capacity to thrive and prosper midst of prevailing difficult business environment. Our Directors believe that our proven business model will continue to afford us with an edge in market competitiveness, enabling our business viability and to grow our business over time, taking into account the anticipated capital contribution from the Listing proceeds. We consider our net profit (excluding mainly the effect of Listing expenses) recorded a decline in adjusted profit by approximately 4.9% mainly because with the prevailing more difficult business environment with household furnishing products in Hong Kong due to the low transaction volume with the property market, we experienced a more difficult time in growing our revenue and generally attributed a lower sales volume per retail outlet for our retail chain business, while alongside the halted high price level with the Hong Kong property market our rental cost continued to escalate as we opened more retail outlets and renewed tenancies with existing retail outlets at higher rental rates during the Track Record Period. In addition, certain of our retail outlets opened during the year was in their initial launching stage and have not reached their full sales capacity, thus further impeding ourselves from attaining a more favourable result of operation, as discussed previously. Nevertheless, we remained profitable despite the challenging business environment, and stand to further our net result as and when the overall business environment may improve with rebound in transaction volume with the property market, and also in anticipation of our retail outlets continue to grow into their full sales capacity over time.

Our Directors consider any further significant deterioration in our business sales volume would not be likely

Notwithstanding that the recent Government policies to curb overheated property prices have contributed to our reduced volume of business, our Directors are of the view that as both housing accommodation and lighting illumination are basic living necessity, further significant diminution in our sales volume is unlikely. According to statistics compiled by the Land Registry, the transaction volume with the Hong Kong property market in 2013 represented the lowest volume recorded in more than 10 years. According to the Ipsos Report, the total retail sales value for lighting products in Hong Kong grew at a CAGR of roughly 5.4% from 2008 to 2013, and it is projected that the sales growth will pick up from 2014 to 2017 due to the expected growth in housing supply, details of which are set out in the paragraph headed "Industry Overview — Lighting product retail industry in Hong Kong — Retail sales value of lighting products in Hong Kong" of this prospectus.

The growth in the number of higher income household, the pursuit of higher living standard, and the increase in the completion of private domestic housing units are factors to support the growth of lighting industry. The latest 2013–2014 policy address indicated the continuous increase in land supply to about 470,000 units in the next 10 years. Such increase in land supply will positively stimulate the growth of residential property market and lead to an increase in retail sales value for lighting products in Hong Kong.

Our Directors consider that a series of cooling measures introduced by the Hong Kong Government to curb over-heated property prices may have contributed to the decline in volume of transaction of residential properties in Hong Kong. There are nevertheless signs of these negative implications becoming stabilised without further deterioration. Based on the latest statistics residential properties published by the Land Registry, the transaction number of residential properties in Hong Kong for the second quarter of 2014 amounted to approximately 16 thousands units, which is approximately 48.4% higher than the corresponding for the first quarter of 2014. According to the Ipsos Report, the rebound in the number of residential property transactions in the second quarter of 2014 was supported by the increase in first-hand residential property supply and the loosened conditions for the double stamp duty on property transactions promulgated by the Hong Kong Government. In addition, the aggregate transaction number of residential properties in Hong Kong for July and August 2014 amounted to approximately 14.0 thousands units, which is approximately 89.4% higher than that for July and August 2013. Together with the increase in first-hand residential properties supply starting from the second quarter of 2014, the transaction number with residential properties is expected to further improve. In addition, our Directors are not aware of further new property market policies instigated by the Hong Kong Government which may have a negative implication on our Group's business.

According to the Ipsos Report, another factor to support the growth of lighting industry is that there will be an increase in lighting product retail prices due to the increased sales of LED products and designer's lighting products in the market. It is estimated that sale of energy-saving lighting products shall make up over half of the Hong Kong lighting market by 2020. Our Directors believe that our distinguishing brand management expertise with branded lighting products and our strategic positioning with LED lighting products will confer us with advantages in capturing the market opportunity and grow our business over time.

We have market growth potential with previously uncharted retail districts in Hong Kong

According to the Ipsos Report, we are the largest lighting specialty retailer in Hong Kong in 2013 attributing a market share of total lighting product retail revenue of approximately 12.1%. As the market share in Hong Kong not already captured and potentially exploitable by ourselves make up for more than 87% in terms of market share, our Directors consider that there is still bounteous latitude for future growth of our business. Currently our business is confined to our four existing retail zones of (i) Morrison Hill Road, Wanchai; (ii) Lockhart Road, Wanchai; (iii) Mongkok, Kowloon; and (iv) Shatin, New Territories. We have tentatively identified several districts in Hong Kong which are uncharted territories for ourselves such as Tsuen Wan for which we have evaluated to be potentially suitable for the implementation of our business model. We intend to establish new retail floor area in these previously unexploited retail districts and a majority proportion of our Listing proceeds will be applied to these ends.

Our Directors believe that our Group is in possession of a product portfolio of quality, innovative designer branded lighting and designer label furniture, which could potentially enhance the general standard of living. Besides the potential expansion of retail floor area with our existing retail zones, notably Mongkok, Kowloon and Shatin, New Territories, we anticipate that the Listing proceeds will be applied to the ends of the establishment of retail floor area in retail zones previously uncharted by ourselves. We intend to replicate our proven business model and apply this to the new retail district. As we entrench into these previously uncharted territories by opening our retail floor area in the region, we expect to generate publicity in the area and promote attraction by virtue of our more advanced market profile, product desirability and novelty brought to the region. As these uncharted retail territories are new to ourselves with unexploited market share, we anticipate the growth potential with these regions to be noticeably higher than our existing retail zones. Our Directors believe that our market positioning as the largest lighting specialty retailer in Hong Kong and our strategic positioning with LED lighting products are expected to confer us with advantages in opening up the uncharted retail territories.

We have demonstrated the feasibility of our approach to retail network expansion with our retail district of Shatin, New Territories. We opened our first retail outlet in Shatin around September 2011 and this retail zone grown within a timeframe of not more than three years to become our second most important retail zone in terms of revenue contribution, and accounted for approximately 19.8% of our total sales revenue for the year ended 31 March 2014. Proven by our past success with retail network expansion, our Directors consider that we will also be capable of growing our business in the new retail territories over time.

Our Directors believe we will be able to continue to sustain a healthy gross profit margin

Throughout the Track Record Period, we managed to maintain a healthy gross profit margin and improved on it despite the overall reduction in business volume due to the prevailing difficult business environment. Our gross profit margin for the years ended 31 March 2013 and 2014 amounted to 58.0% and 59.6%, respectively. We attribute the general improvement in profitability as the result of our endeavor in recent years of active store profiling and adjustment of our product mix, whereby we enhanced our product portfolio with a higher proportion of merchandise items commanding a generally higher profit margin.

Notwithstanding the recent decline in volume of transaction with the Hong Kong property market, the overall halted high price level with residential properties in Hong Kong prevails. The halted high price level with residential properties would imply the furnishing cost of lighting fixtures with new apartments account for only an insignificant proportion of the overall residential investment cost to the property owner. As such, notwithstanding that branded lighting products of quality generally command a higher price premium, our Directors believe that there may be increasing proportion of the general public being inclined to spend on quality lighting products to enhance their standard of living, and the prevailing market trend of gradual shift in customer preference from non-branded to branded lighting products may continue into the foreseeable future.

Our Directors believe our current business strategy of enhancing our focus on global brands of quality lighting products as well as LED products, which generally attribute a higher profit margin, accommodate ourselves to the changing market environment, with a view of catering to the middle to upper spectrum of the market segment. In addition, as and when we upgrade our overall market profile through the soliciting of incoming global brands, we also reinforce our capacity to maintain our price premium for other commonplace light fitting and lighting appliance products through enhancing our customers' perceived preference and confidence with our own trademarks. As such, our Directors believe we will be able to continue to sustain a healthy gross profit margin for the foreseeable future.

We have a manageable operating cost structure and capable of meeting our financial and capital commitments

We operate on a manageable operating cost structure, with most of our cost component being predictable. Operating lease rentals represent the most significant component of our operating cost and accounted for approximately 47.5% and 46.7% of our operating costs (excluding cost of sales) in aggregate for the years ended 31 March 2013 and 2014, respectively. These include monthly rentals for our office establishment, warehousing facilities and various retail outlets. Our financial and capital commitment primarily includes rental payments under operating leases, with the underlying tenancies falling due for expiry in various stages through 15 October 2014 to 30 April 2017.

Through the inception of tenancies of tenure of mostly two to three years, we have essentially locked into an important share of our most significant cash outflow involved with operating lease payments, and insulated ourselves against any unpredictable escalation of rental rates which may arise in the foreseeable future. Notwithstanding that recent Government policies to curb property prices may negatively affect our business, such policies may conversely contribute to a lowering of future rental rates which will benefit us by reducing our most significant operating cost of operating lease payments. Other than operating leases, we have few financial and capital commitments not terminable by ourselves without construed or contracted compensation of material amounts. Our business continued to be profitable throughout the Track Record Period, and we managed to cover all our operating expenditure. Our Directors believe we shall continue to be able to meet all our financial and capital commitments as and when they fall due.

We believe the break-even period involved in our future expansion plan will continue to be manageable

Our future plan and business strategies involve the further expansion of retail floor area. We anticipate the lag time for achieving break-even position with our new retail outlets will be relatively manageable. As discussed in the paragraph headed "Business — Our strategies and future prospect — We shall expand our retail floor area in Hong Kong to further bolster our sales capacity and capture increasing market share" of this prospectus, based on our experience with the opening of retail outlets in recent years, we anticipate that it will take approximately 3 months on average for a new retail outlet to achieve break-even position, in order that the new retail outlet will be able to generate sufficient sales revenue to cover its recurrent operating cost. Our Directors believe we have sufficient financial resources to conveniently pass through the intervening initial business start-up phase for our future expansion of retail floor area, taking into account the anticipated enhancement of our capital base with the Listing proceeds.

The extensive number of our retail outlets and widespread customer base would buffer us against major loss of revenue source

According to the Ipsos Report, we were ranked in 2013 as the largest lighting specialty retailer in Hong Kong in terms of both revenue and number of retail outlets. We had a total of 15 retail stores in 2013, which outcast a total of 7 retail stores owned by the second ranked lighting retailer in Hong Kong by a noticeable margin. As at the Latest Practicable Date, our number of retail outlets has grown to a total of 17 stores situated in various regions in Hong Kong. Our future expansion plan for the enlargement of our retail floor area by 12,000 sq. ft. will further enlarge our retail network. Unlike certain of our fellow competitors with a comparatively reduced scale of operation, the extensive number of our retail outlets buffers us against any forced closure of a singleton retail outlet due to business failure. We consider our extensive retail network afford us with higher capacity than our fellow competitors to harness any foreseeable loss incurred with a singleton store.

In addition, since our customers are individual members of the public coming from all walks of life and we do not target any customer group of particular sex, age or income range, we are buffered against any major loss of revenue as a result of any loss of major customer. For each of the years comprising our Track Record Period, our top 5 customers together accounted for less than 5% of our revenue for the relevant year, with none of the top 5 customer accounting for a material proportion of our aggregate sales revenue. The Listing would enhance our publicity as a listed company, and also increase public exposure of our Group and our products through considerable enlargement of our Group's existing retail floor area in previously unexploited districts. Our Directors anticipate that as and when more of the public in Hong Kong become aware of the existence of our Group and its associated global brands and quality products, there will be growing preference for our Group as a customer choice for quality, innovative designer branded lighting and designer label furniture in Hong Kong, which in turn is expected to further enlarge our public customer base. Our widespread customer base buffers us against major loss of revenue as a result of loss of one or a few major customers.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 31 March 2014, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 31 March 2014 which would materially affect the information shown in the Accountants' Report.

UNDERWRITERS

Quam Securities Company Limited
Ample Orient Capital Limited
Brilliant Norton Securities Company Limited
Convoy Investment Services Limited
Great Roc Capital Securities Limited
SBI China Capital Financial Services Limited

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Underwriting Agreement and this prospectus, at the Placing Price.

Subject to, among other conditions, the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being satisfied or waived on or before the 30th day after the date of this prospectus (or such later date as our Company and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) may agree), the Underwriters have severally agreed to subscribe for or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Placing.

Grounds for termination

The obligations of the Underwriters to subscribe for or procure placees to subscribe for, the Placing Shares are subject to termination. The Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) is entitled to terminate the Underwriting Agreement at its sole and absolute discretion forthwith upon the occurrence of any of the following events by notice in writing to our Company (for ourselves and on behalf of the executive Directors and our Controlling Shareholders) given at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**") if, any time before the Termination Time:

(a) there has come to the notice of the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters):

(i) any statement contained in this prospectus, the formal notice in connection with the Listing, any submissions, documents or information provided to the Sponsor and/or the Bookrunner, any announcements or documents issued by our Company in connection with the Placing (including any supplement or amendment thereto) (the "**Relevant Documents**"), considered by the

Bookrunner in its sole and absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expressions of opinion, intention or expectation contained in any of such documents are not, in the sole and absolute opinion of the Bookrunner, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitutes an omission therefrom considered by the Bookrunner in its sole and absolute opinion to be material in the context of the Placing;

(iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Bookrunner in its sole and absolute opinion to be material in the context of the Placing (other than upon any of the Joint Lead Managers, the Co-Managers and the Underwriters) (as the case may be);

(iv) either (1) there has been a breach of any of the warranties or provisions of the Underwriting Agreement by any of the Warrantors or (2) any matter or event showing or rendering any of the warranties in the Underwriting Agreement, as applicable, in the sole and absolute opinion of the Bookrunner, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated;

(v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the Warrantors pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged;

(vi) any event, series of events, matter or circumstance occurs or arises on or after the date of the prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any warranties in the Underwriting Agreement, in the sole and absolute opinion of the Bookrunner, untrue, incorrect, inaccurate or misleading in any respect;

(vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(viii) our Company withdraws any of this prospectus, the formal notice in connection with the Listing, any submissions, documents or information provided to the Sponsor and/or the Bookrunner, any announcements or documents issued by us in connection with the Placing ("**Relevant Documents**") (and/or any other documents used in connection with the contemplated subscription of the Placing Shares);

(ix) any person (other than the Sponsor, the Bookrunner, the Joint Lead Managers, the Co-Managers and any of the Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(x) any adverse change in the business or in the financial or trading position or prospects of our Group which in the sole and absolute opinion of the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) is material in the overall context of the Listing and the Placing;

(xi) any information, matter or event which in the sole and absolute opinion of the Sponsor and/or the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) (A) is inconsistent in any respect with any information or declaration provided by any Director in the relevant Director's declaration, undertaking and acknowledgment (Appendix 6, Form A of the GEM Listing Rules), or (B) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group; or

(b) there shall develop, occur, happen, 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, labour disputes, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to H1N1 flu, severe acute respiratory syndrome and H5N1 and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong, the PRC or anywhere in the world;

(ii) any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong or anywhere in the world;

(iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, BVI, the PRC or the Cayman Islands or any other jurisdictions relevant to any member of our Group or the Placing (the "**Relevant Jurisdictions**");

(iv) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;

(v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions;

(vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" of this prospectus;

(vii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any Director;

(viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;

(ix) the chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group may be adversely affected;

(x) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or a member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action;

(xi) any contravention by any member of our Group or any Director of the Companies Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable laws;

(xii) a prohibition on our Company for whatever reason from allotting the Placing Shares pursuant to the terms of the Placing;

(xiii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws;

(xiv) other than with the written approval of the Sponsor and/or the Bookrunner, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the subscription of the Placing Shares) pursuant to the Companies Ordinance or the GEM Listing Rules;

(xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;

(xvi) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);

(xvii) any change or prospective change in the earnings, results of operations business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against our Company or any member of our Group);

(xviii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;

(xix) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;

(xx) any change or development in the conditions of local, national or international equity securities or other financial markets; or

(xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which in each case or in aggregate in the sole and absolute opinion of the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters):

(a) is or will be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such;

(b) has or will have a material adverse effect on the success or marketability of the Placing or the level of interest under the Placing;

(c) makes or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or

(d) has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof,

then the Bookrunner (for itself or on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) may in its sole and absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreement with immediate effect.

Commission and expenses

The Underwriters will receive an underwriting commission of 4% on the aggregate Placing Price of all Placing Shares, out of which they will pay any sub-underwriting commission and praecipium, and the Sponsor will receive financial advisory and documentation fees in relation to the Listing and will be reimbursed for their expenses incurred in relation to the Listing and Ample Orient Capital Limited will receive HK$400,000 as a further praecipium for acting as one of the Joint Lead Managers. We will bear the underwriting commission, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the Placing Shares together with any applicable fees relating to the Placing.

UNDERWRITERS' INTEREST IN OUR COMPANY

The Bookrunner, the Joint Lead Managers, the Co-Managers and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Underwriting arrangements — Commission and expenses" above. Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, none of the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

SPONSOR AND ITS INDEPENDENCE

Ample Capital as the Sponsor satisfies the independence criteria applicable to the Sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

The Sponsor made an application on our behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. The Sponsor has received or will receive a sponsor fee of approximately HK$3.5 million in connection with the Listing.

COMPLIANCE ADVISER'S AGREEMENT

Under a compliance adviser's agreement dated 19 September 2014 and made between Ample Capital and our Company (the "**Compliance Adviser's Agreement**"), our Company has appointed Ample Capital, and Ample Capital has agreed to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a fee from the Listing Date until the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date or until the Compliance Adviser's Agreement is terminated pursuant to its terms and conditions.

SPONSOR'S INTERESTS IN OUR COMPANY

The Sponsor, being our Company's compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules, will also receive a financial advisory fee from our Company during the term of its appointment as the compliance adviser of our Company.

Save for (i) the advisory and documentation fees to be paid to Ample Capital as the sponsor to the Placing; (ii) the fee to be paid to Ample Capital as our Company's compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules; (iii) the underwriting commission to be paid to Ample Orient Capital Limited for acting as one of the underwriters to the Placing; and (iv) the praecipiums to be paid to Ample Orient Capital Limited for acting as one of the Joint Lead Managers, neither Ample Capital nor any of its close associates has or may have, as a result of the Placing, any interest in any class of securities in our Company or any of its subsidiaries (including options or rights to subscribe for such securities).

No director or employee of Ample Capital who is involved in providing advice to our Company has or may have, as a result of the Placing, any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of Ample Capital has a directorship in our Company or any of our subsidiaries.

UNDERTAKINGS

Under Rule 13.16A(1) of the GEM Listing Rules, no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by our Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in the circumstances prescribed by Rule 13.16A(1) of the GEM Listing Rules.

We have undertaken to the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) under the Underwriting Agreement that, and our Controlling Shareholders and Executive Directors have undertaken to the Sponsor and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) to procure, that except pursuant to the Placing and the exercise of the options granted under the Share Option Scheme and the allotment and issue of Shares pursuant to the exercise of the options so granted, (1) our Company and our subsidiaries will not without the prior written consent of the Bookrunner and unless in compliance with the GEM Listing Rules, at any time after the date of the Underwriting Agreement up to and including the date falling six months after the Listing Date (the "First Six-month Period"), (i) 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, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital, debt capital or any securities of our Company or any of the subsidiaries or any interest therein or any voting right or any other right attaching thereto (including, but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the repurchase mandate granted by our Shareholders to our Directors as described in Appendix IV to this prospectus, or (ii) enter into any swap or other arrangement that transfers to or in favour of any third party other than any member of our

Group, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto, or (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above, or (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii); whether any of the foregoing transactions described in (i), (ii) and (iii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; and (2) in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the six-month period immediately following the First Six-month Period (the "Second Six-month Period"), we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

Under Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange, our Company and the Sponsor that except pursuant to the Placing that they shall not, and shall procure that the relevant registered holder(s) shall not (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders 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, interest or encumbrances in respect of, any of our securities in respect of which it is shown by this prospectus to be the beneficial owners; and (ii) at any time during the period of six months commencing on the date on which the period referred to in paragraph (i) 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 our securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be our Company's controlling shareholders (as defined under the GEM Listing Rules).

Note of Rule 13.16A(1) of the GEM Listing Rules provides that our Controlling Shareholders are free to purchase additional securities and dispose of securities thus purchased in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, subject to compliance with the requirements of Rule 11.23 of the GEM Listing Rules to maintain an open market in the securities and a sufficient public float.

Under Rule 13.19 of the GEM Listing Rules, our Controlling Shareholders have also undertaken to the Stock Exchange, our Company, the Sponsor, the Bookrunner, the Joint Lead Managers, the Co-Managers and the Underwriters that (i) in the event that our Controlling Shareholders or any of their close associates pledges or charges any direct or indirect interest in the relevant Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver grated by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, he/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and (ii) having pledged or charged any interest in Shares under (i) above, he/she must inform our Company immediately in the event that he/she becomes aware that the pledgee or chargee has disposed of or intended to dispose of such interest and of the number of Shares affected.

Our Controlling Shareholders have undertaken to our Company and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) under the Underwriting Agreement, that he/it will not without the prior written consent of the Bookrunner and unless in compliance with the GEM Listing Rules, (i) at any time during the First Six-month Period 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 for, lend 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, debt capital or other securities of our Company or any interest therein held by him or it or any voting right or any other right attaching thereto (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 share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree or contract to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinances (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan in accordance with the GEM Listing Rules; (ii) at any time during the Second Six-month Period enter into any of the transactions described in (i) above if, immediately following such transaction, he or it would cease to be the controlling shareholder (as defined in the GEM Listing Rules) of our Company, provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan in accordance with the GEM Listing Rules; and (iii) in the event of a disposal by him or it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he or it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares or other securities of our Company.

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Underwriting Agreement.

PLACING PRICE

The Placing Price will not be more than HK$0.6 per Placing Share and will not be less than HK$0.5 per Placing Share. Subscribers, must pay, on application, the maximum Placing Price of HK$0.6 per Placing Share plus 1.0% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK$2,424.19 for one board lot of 4,000 Placing Shares.

The Placing Price is expected to be fixed pursuant to the Price Determination Agreement between our Company and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) on the Price Determination Date, which is expected to be on or before 24 September 2014 (or such later date as may be agreed between our Company and the Bookrunner). If our Company and the Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters), or the Price Determination Agreement is not signed, the Placing will not become unconditional and will not proceed. Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price as stated in this prospectus.

If, the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) and with the consent of our Company consider it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date publish an announcement on the reduction of the indicative Placing Price range on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.elighting.asia**.

The level of indications of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.elighting.asia** on or before 26 September 2014.

THE PLACING

100,000,000 Placing Shares are being offered in the Placing, representing in aggregate 25% of our Company's enlarged share capital immediately after the completion of the Placing, without taking into account the exercise of the Offer Size Adjustment Option or exercise of options to be granted under the Share Option Scheme. If the Offer Size Adjustment Option is exercised in full, the Placing Shares will represent approximately 27.7% of the enlarged share capital of our Company immediately after the completion of the Placing and the exercise of the

Offer Size Adjustment Option (but not taking into account of any Shares to be allotted and issued upon the exercise of options to be granted under the Share Option Scheme). Further information about the Offer Size Adjustment Option is set out in the sub-section headed "Offer Size Adjustment Option" below.

Quam Securities Company Limited is the Bookrunner of the Placing. Quam Securities Company Limited and Ample Orient Capital Limited are the Joint Lead Managers of the Placing. A total of 100,000,000 Placing Shares will be offered under the Placing, which will be conditionally placed with professional, institutional and other investors. The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement.

It is expected that the Underwriters or selling agents nominated by them on our behalf will conditionally place the Placing Shares at the Placing Price with professional, institutional and other investors. Such professional and institutional 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.

CONDITIONS OF THE PLACING

Acceptance of all applications for the Placing Shares is conditional upon:

(a) Listing

The Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

(b) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional in all respects. This requires that (i) the Underwriting Agreement is not terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date, which is expected to be 29 September 2014 and (ii) all other conditions set out in the Underwriting Agreement are fulfilled, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event, not later than 22 October 2014, being the date which is 30th day after the date of this prospectus.

(c) Price Determination Agreement

The Price Determination Agreement between our Company and the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) being entered into on or before the Price Determination Date.

BASIS OF ALLOCATION

Allocation of the Placing Shares to investors pursuant to the Placing will be effected in accordance with the "book-building" process, undertaken by the Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Placing Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base for the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreement, we have granted to the Bookrunner the Offer Size Adjustment Option, which is exercisable by the Bookrunner (for itself and on behalf of the Joint Lead Managers, the Co-Managers and the Underwriters) in its sole and absolute discretion (i) on or before the business day immediately before the date of the allotment results announcement; and (ii) within 30 days from the date of this prospectus, whichever is earlier, in writing, to require our Company to allot and issue up to 15,000,000 additional Shares at the Placing Price, representing 15% of the total number of Shares initially available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the absolute discretion of the Bookrunner.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Bookrunner to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activity of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilising) 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.

We will disclose in our 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 website at **www.elighting.asia**.

In the event that the Offer Size Adjustment Option is exercised in full, 15,000,000 additional Shares will be issued resulting in a total number of 415,000,000 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 3.6%. On the other hand, the unaudited pro forma earnings per Share will be diluted from approximately HK1.5 cents to approximately HK1.4 cents (as if the Placing had taken place on 1 April 2013). As the estimated net proceeds from the Placing (calculated at the Placing Price of HK$0.55) will be increased from approximately HK$39.2 million to approximately HK$47.1 million if the Offer Size Adjustment Option is exercised in full and the unaudited pro forma adjusted net tangible assets of our Group will be increased from approximately HK$63.1 million to approximately HK$71.0 million, the adjusted net tangible asset value per Share will be increased from approximately HK15.8 cents to HK17.1 cents.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed "Reasons for the Placing and Use of Proceeds" of this prospectus, on a pro-rata basis.

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence on 29 September 2014. Our Shares will be traded in board lots of 4,000 each and are freely transferable.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. 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 necessary arrangements have been made for the Shares to be admitted into CCASS.

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

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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22 September 2014

The Directors
E Lighting Group Holdings Limited

Ample Capital Limited

Dear Sirs,

We set out below our report on the financial information regarding E Lighting Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the two years ended 31 March 2013 and 2014 (the "Relevant Periods"), the combined statements of financial position of the Group as at 31 March 2013 and 2014, together with summary significant accounting policies and other explanatory notes thereto (the "Financial Information"), prepared on the basis of presentation and preparation set forth in note 1 of Section II in this report below, for inclusion in the prospectus of the Company dated 22 September 2014 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 29 November 2013 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. Pursuant to a group reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group on 8 September 2014.

As at the date of this report, the Company had direct and indirect interests in the subsidiaries as set out in note 1 of the Section II below. The Group is principally engaged in the retail sales distribution of lighting products and furniture in Hong Kong. The Company and its subsidiaries have adopted 31 March as their financial year end date. The Company has not carried out any business since the date of its incorporation, except for the aforementioned reorganisation. Details of the companies comprising the Group that are subject to statutory audit during the Relevant Periods and the names of the respective auditors are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the basis of preparation in note 1 of Section II below, in accordance with the accounting policies set out in note 3 of Section II below which are in conformity with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustments made thereon and in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

DIRECTORS' RESPONSIBILITIES

The directors of the respective companies now comprising the Group are responsible for the preparation of the respective financial statements and, where appropriate, management accounts that give a true and fair view in accordance with HKFRSs issued by the HKICPA. The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1 of Section II below and the accounting policies set out in note 3 of Section II below which are in conformity with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Prospectus in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to form an independent opinion, based on our procedures on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out appropriate audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information, and carried out such procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of preparation set out in note 1 of Section II below and in accordance with the accounting policies set out in note 3 of section II below, gives a true and fair view of the state of affairs of the Group as at 31 March 2013 and 2014, and of the Group's results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended 31 March	
		2013	**2014**
	Notes	**HK$'000**	**HK$'000**
Turnover	*6*	68,779	79,158
Cost of sales		(28,865)	(31,975)
Gross profit		39,914	47,183
Selling and distribution expenses		(24,031)	(29,559)
Administrative and other expenses		(5,261)	(10,100)
Profit before income tax expense	*7*	10,622	7,524
Income tax expense	*10*	(1,567)	(1,667)
Profit and total comprehensive income for the year		9,055	5,857
Earnings per share	*11*	N/A	N/A

Combined Statements of Financial Position

		As at 31 March	
		2013	**2014**
	Notes	**HK$'000**	**HK$'000**
Non-current assets			
Property, plant and equipment	*13*	2,220	1,950
Rental deposits	*15*	3,317	4,391
Deferred tax assets	*18*	301	488
Total non-current assets		5,838	6,829
Current assets			
Inventories	*14*	12,139	17,516
Trade and other receivables	*15*	2,192	3,451
Tax recoverable		162	649
Cash and bank balances		3,534	4,087
Total current assets		18,027	25,703
Current liabilities			
Trade and other payables	*16*	4,989	7,626
Amount due to a controlling shareholder	*17*	3,013	3,124
Current tax liabilities		619	681
Total current liabilities		8,621	11,431
Net current assets		9,406	14,272
NET ASSETS		15,244	21,101
EQUITY			
Share capital	*19*	2	2
Reserves		15,242	21,099
TOTAL EQUITY		15,244	21,101

Combined Statements of Changes in Equity

	Share capital	Retained earnings	Total equity
	HK$'000	HK$'000	HK$'000
Balance at 1 April 2012	2	6,187	6,189
Profit and total comprehensive income for the year	—	9,055	9,055
Balance at 31 March 2013 and 1 April 2013	2	15,242	15,244
Profit and total comprehensive income for the year	—	5,857	5,857
Balance at 31 March 2014	2	21,099	21,101

Combined Statements of Cash Flows

	2013	2014
	HK$'000	HK$'000
Cash flows from operating activities		
Profit before income tax expense	10,622	7,524
Adjustments for:		
Listing expenses	—	2,758
Depreciation of property, plant and equipment	694	1,191
Loss on disposal of property, plant and equipment	—	71
Operating profit before working capital changes	11,316	11,544
Increase in inventories	(5,396)	(5,377)
Increase in trade and other receivables	(1,971)	(1,490)
Increase in trade and other payables	1,092	2,243
Cash generated from operations	5,041	6,920
Income tax paid	(1,962)	(2,280)
Net cash generated from operating activities	3,079	4,640
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,242)	(992)
Net cash used in investing activities	(2,242)	(992)
Cash flows from financing activities		
(Decrease)/increase in amount due to a controlling shareholder	(517)	111
Payment of listing expenses	—	(3,206)
Net cash used in financing activities	(517)	(3,095)
Net increase in cash and cash equivalents	320	553
Cash and cash equivalents at beginning of year	3,214	3,534
Cash and cash equivalents at end of year	3,534	4,087
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,534	4,087

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

E Lighting Group Holdings Limited (the ''Company'') was incorporated in the Cayman Islands as an exempted company with limited liability in Cayman Islands on 29 November 2013 under the Companies Law. Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and its principal place of business in Hong Kong is 26/F, Tiffan Tower, 199 Wanchai Road, Wanchai, Hong Kong.

The Company's principal activity is investment holding while the Group is principally engaged in the retail sales distribution of lighting products and household furniture in Hong Kong. Particulars of the companies now comprising the Group have been set out below in our report. The Company has not carried on any business since the date of incorporation, saved for the transactions relating to the Reorganisation.

The Financial Information is presented in Hong Kong Dollars (''HK$''), which is the same as the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand except when otherwise indicated.

Pursuant to a group reorganisation as more fully explained in the paragraph headed ''Reorganisation'' in the section headed ''History, Reorganisation and Corporate Structure'' to the Prospectus (the ''Reorganisation''), the Company became the holding company of the companies now comprising the Group on 8 September 2014. The Company and its subsidiaries have been under the common control of Mr. Hui Kwok Keung Raymond (the ''Controlling Shareholder'') throughout the Relevant Periods. As the Controlling Shareholder owned or controlled the Group before and after the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholder and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control. Before and after the Reorganisation, there is also no change in management of the Group and the ultimate owners of the Group remain the same. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis using merger accounting principles as if the group structure upon completion of the Reorganisation had existed throughout the relevant periods. Non-controlling interests represent equity in any of the combining entities not attributable to the parent entity. The Financial Information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 ''Prospectuses and the Reporting Accountant'' issued by HKICPA.

For the purpose of this report, the Financial Information has been prepared on a combined basis, including the assets, liabilities and results of operations of all the companies, by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods or since the date when the respective subsidiaries and/or businesses were incorporated/established or first came under the common control of the controlling shareholder, whichever is later.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period. The combined statements of financial position of the Group as at the Relevant Periods have been prepared to present the state of affairs of the Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies in Hong Kong (or, if incorporated/established outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities and place of operation
Top Triumph Global Limited[3]	British Virgin Islands ("BVI"), 20 November 2013	1 share of US$1 per share	100% direct	Investment holding
Central Sky Holdings Limited[1]	Hong Kong, 24 October 2003	10 shares of HK$1 per share	100% indirect	Retail of lighting products in Hong Kong
E Lighting Group Limited[1]	Hong Kong, 4 January 2011	10,000 shares of HK$1 per share	100% indirect	Retail of lighting products and household furniture in Hong Kong
Element Lighting Design Limited[1]	Hong Kong, 11 May 2005	10 shares of HK$1 per share	100% indirect	Retail of lighting products and household furniture in Hong Kong
Good Harvest Surplus Limited[1]	Hong Kong, 20 May 2011	1 share of HK$1 per share	100% indirect	Retail of lighting products and household furniture in Hong Kong
RS Holdings Limited[1]	Hong Kong, 23 February 2009	10,000 shares of HK$1 per share	100% indirect	Retail of lighting products and household furniture in Hong Kong
228 Inc Limited[2]	Hong Kong, 6 November 2013	10,000 shares of HK$1 per share	100% indirect	Retail of lighting products in Hong Kong
Central United Global Limited[3]	BVI, 18 November 2010	100 shares of US$1 per share	100% indirect	Investment holding
Elegant Chain Development Limited[3]	BVI, 8 August 2008	100 shares of US$1 per share	100% indirect	Investment holding

As at the date of this report, no statutory audited financial statements have been prepared for the Company since the date of its incorporation as the Company has not been involved in any significant business transactions other than the Reorganisation described in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

Notes:

1. The statutory financial statements of these subsidiaries for the year ended 31 March 2013 were audited by BDO Limited, certified public accountants registered in Hong Kong. The statutory financial statements of these subsidiaries for the year ended 31 March 2014 have not been issued as they are not yet due for issuance as at the date of this report.

2. No statutory audited financial statements have been prepared as 228 Inc Limited has not carried on any material business transactions since its date of incorporation to the period ended 31 March 2014.

3. No statutory audited financial statements have been prepared for these subsidiaries since the date of its incorporation as there are no statutory requirements under their respective place of incorporation and the subsidiaries have not yet been involved in any significant business transactions.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARD

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied all HKFRSs which are effective for its accounting period beginning on 1 April 2013 throughout the Relevant Periods.

At the date of this report, the following new standards, amendments to standards and interpretations, potentially relevant to the Group's Financial Information have been issued, which are not yet effective and have not been early adopted by the Group.

HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets[1]
HK(IFRIC)-Int 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle[2]
HKFRS 15	Revenue from Contracts with Customers[4]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2018

The management of the Group anticipates that the application of the new standards, amendments to standards and interpretations will have no material impact on the Financial Information of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared the historical cost basis and in accordance with the accounting policies set out below which comply with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for the Relevant Periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622) — "Accounts and Audit" which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities of on Stock Exchange.

3.1 Basis of combination

For the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods or since the date when the respective subsidiaries and were incorporated or first come under the common control of the controlling shareholder whichever is later.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The Financial Information incorporates the financial statements of the Company and entities control directly or indirectly by the Company. Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3.2 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: power over the investee, exposure, or rights, to variable returns from the investee, and 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.

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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 as an expense 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 or valuation 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 reporting period. The useful lives are as follows:

Leasehold improvements	4 years or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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 profit or loss on disposal.

3.4 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in 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.

3.5 Financial Instruments

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets 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 debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loan and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and 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 as 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***

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and amount due to a Controlling Shareholder are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(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 period. 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) ***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 financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

3.6 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 bringing the inventories to their present location and condition. 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 necessary to make the sale.

3.7 Revenue recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree associated with ownership, nor effective control over the goods sold.

3.8 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 reporting period.

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 goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable 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 appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference 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 recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

3.9 Employee benefits

(i) ***Defined contribution retirement plan***

The group entities incorporated in Hong Kong manage a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF Scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) ***Short-term employee benefits***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

3.10 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment to determine whether there is any indication that the 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 to sell 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 as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 as income immediately.

3.11 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.

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.

3.12 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 either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Impairment of non-financial asset

The Group assesses whether there are any indicators of impairment for the non-financial asset at the end of each reporting period. Non-financial asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Useful life of property, plant and equipment

The Group determines the depreciation amount of property, plant and equipment based on the estimated useful life, which are reviewed at each reporting period end. The principal assumptions for the Group's estimation of the useful life and residual value include those related to the mode of operations, government regulations and scrap value of property, plant and equipment in future.

5. SEGMENT INFORMATION

(a) Business segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the sale of lighting products and household furniture in Hong Kong.

(b) Geographic information

Since the Group solely operates business in Hong Kong and all of the non-current assets of the Group are located in Hong Kong, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

(c) Information about major customers

The Group had no customer from whom the revenue raised individually accounted for more than 10% of the Group's total revenue during the Relevant Periods.

6. TURNOVER

	2013	2014
	HK$'000	HK$'000
Sales of goods	68,779	79,158

7. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2013	2014
	HK$'000	HK$'000
Auditor's remuneration	200	200
Costs of inventories recognised as expenses	25,946	29,144
Depreciation of property, plant and equipment	694	1,191
Lease payments under operating leases:		
Minimum lease payments	13,883	18,254
Contingent rent	21	252
Listing expenses (including professional fees and other expenses)	—	2,758
Loss on disposal of property, plant and equipment	—	71
Staff costs *(note 8)*	10,431	12,098

8. STAFF COSTS

	2013	2014
	HK$'000	HK$'000
Employee costs (including directors) comprise:		
Wages and salaries	9,990	11,608
Contributions on defined contribution retirement plans	397	467
Staff benefits	44	23
	10,431	12,098

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The aggregate amount of emoluments paid or payable to each of the directors as at the date of this report during the Relevant Periods are as follows:

Year ended 31 March 2013

	Fees	Salaries and benefits in kind	Contributions to retirement benefits	Total
	HK'000	HK'000	HK'000	HK'000
Executive directors:				
Hui Kwok Keung Raymond	—	1,250	16	1,266
Hue Kwok Chiu	—	—	—	—
Chou Hing Yan Stephen	—	444	15	459
	—	1,694	31	1,725

Year ended 31 March 2014

	Fees	Salaries and benefits in kind	Contributions to retirement benefits	Total
	HK'000	HK'000	HK'000	HK'000
Executive directors:				
Hui Kwok Keung Raymond	—	1,200	15	1,215
Hue Kwok Chiu	—	—	—	—
Chou Hing Yan Stephen	—	444	15	459
	—	1,644	30	1,674

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors of the Company whose emoluments are included in the disclosures in Note 9(a) above. The emoluments of the remaining three (2013: three) individuals are as follows:

	2013	2014
	HK$'000	HK$'000
Salaries and other benefits	1,324	1,644
Contributions to retirement benefits schemes	44	45
	1,368	1,689

Emoluments paid to each of above individuals for each of the Relevant Periods fell within the following band:

	2013	2014
	No. of individuals	No. of individuals
Nil to HK$1,000,000	3	3

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments during the Relevant Periods.

10. INCOME TAX EXPENSE

The amount of income tax expense in the combined statements of comprehensive income represents:

	2013	2014
	HK$'000	HK$'000
Current tax — Hong Kong Profits Tax		
— charge for the year	1,860	1,893
— over provision in respect of prior year	(60)	(39)
	1,800	1,854
Deferred tax *(note 18)*		
— charge for the year	(233)	(187)
	(233)	(187)
Income tax expense	1,567	1,667

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for each of the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax expense per the combined statements of comprehensive income as follows:

	2013	2014
	HK$'000	HK$'000
Profit before income tax expense	10,622	7,524
Tax calculated at the domestic tax rate of 16.5% (2013: 16.5%)	1,753	1,241
Tax effect of expenses not deductible for tax purposes	9	455
Utilisation of deductible temporary differences previously not recognised	(6)	—
Over-provision in respect of prior year	(60)	(39)
Others	(129)	10
Income tax expense	1,567	1,667

11. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 1 of Section II above.

12. DIVIDENDS

No dividend has been paid or declared by any group entities during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 April 2012	2,213	668	2,881
Additions at cost	1,758	484	2,242
At 31 March 2013	3,971	1,152	5,123
Additions at cost	651	341	992
Written back on disposal	(323)	—	(323)
At 31 March 2014	4,299	1,493	5,792
Accumulated depreciation			
At 1 April 2012	1,643	566	2,209
Depreciation	596	98	694
At 31 March 2013	2,239	664	2,903
Depreciation	1,009	182	1,191
Written back on disposal	(252)	—	(252)
At 31 March 2014	2,996	846	3,842
Net book value			
At 31 March 2013	1,732	488	2,220
At 31 March 2014	1,303	647	1,950

The following is an analysis of the cost of property, plant and equipment which was fully depreciated but still in use at end of each reporting period.

	Cost
	HK$'000
At 31 March 2013	2,301
At 31 March 2014	2,173

14. INVENTORIES

	2013	2014
	HK$'000	HK$'000
Merchandise	12,139	16,728
Goods in transit	—	788
	12,139	17,516

15. TRADE AND OTHER RECEIVABLES

	2013	2014
	HK$'000	HK$'000
Trade receivables	607	775
Deposits and other receivables	4,870	5,922
Prepayments	32	1,145
Total	5,509	7,842
Less: non-current — rental deposits	(3,317)	(4,391)
	2,192	3,451

The average credit period on sales of goods is 30 days from invoice date.

Included in trade and other receivables are trade debtors with the following ageing analysis, based on invoice dates:

	2013	2014
	HK$'000	HK$'000
Within 30 days	234	416
31 to 90 days	184	166
91 to 180 days	151	83
Over 180 days	38	110
	607	775

At the end of each of reporting periods, the Group reviews trade and other receivables for evidence of impairment on both an individual and collective basis. Based on the impairment assessment, no impairment loss has been recognised as at 31 March 2013 and 2014. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

The ageing of trade receivables which are past due but not impaired are as follows:

	2013	2014
	HK$'000	HK$'000
Neither past due nor impaired	234	416
Past due but not impaired:		
Less than 90 days	258	220
91 to 180 days	83	31
Over 180 days	32	108
	373	359
	607	775

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

16. TRADE AND OTHER PAYABLES

	2013	2014
	HK$'000	HK$'000
Trade payables	2,061	4,597
Receipt in advance	1,182	723
Accruals and other payables	1,746	2,306
	4,989	7,626

Trade payables are non-interest bearing. The Group is normally granted credit terms ranging from 30 to 180 days.

Included in trade and other payables are trade creditors with the following ageing analysis, based on invoice dates:

	2013	2014
	HK$'000	HK$'000
0 to 30 days	1,335	2,712
31 to 60 days	427	409
61 to 90 days	244	302
Over 90 days	55	1,174
	2,061	4,597

17. AMOUNT DUE TO A CONTROLLING SHAREHOLDER

The amount due to a controlling shareholder is unsecured, interest free and repayable on demand.

18. DEFERRED TAX

The movements in the deferred tax assets during the Relevant Periods are as follows:

	Decelerated tax depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2012	68	—	68
Credit to profit or loss *(note 10)*	161	72	233
At 31 March 2013	229	72	301
Credit to profit or loss *(note 10)*	93	94	187
At 31 March 2014	322	166	488

At the end of the reporting period, the Group has unused tax loss of HK$439,000 and HK$994,000 as at 31 March 2013 and 2014, respectively. The amount shall be available to offset against future profits. Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profit is probable.

19. SHARE CAPITAL

The share capital in the combined statement of financial position as at 31 March 2013 and 2014 represented the aggregate amount of the nominal value of the paid-in capital of the companies comprising the Group as at that date.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 29 November 2013, with an authorised share capital of HK$10,000,000 dividend into 1,000,000,000 ordinary shares of HK$0.01 each and 1 share was issued and credited as fully paid.

20. LEASE

Operating leases — lessee

The Group leases various offices, retail shops and warehouses under non-cancellable lease agreements. The lease agreements are between one and three years, and majority of lease arrangements are renewable at the end of the lease period with either pre-set increment rate or market rate to be agreed with landlords.

The operating leases of certain retail shops also call for additional rentals, which will be based on a certain percentage of revenue of the operation being undertaken therein pursuant to the terms and conditions as stipulated in the respective rental agreements. As the future revenue of these retail shops could not be accurately determined as at the end of each reporting period, the relevant contingent rentals have not been included.

The future aggregate minimum lease payments under non-cancellable operating leases in respect of offices, retail shops and warehouses are as follows:

	2013	2014
	HK$'000	HK$'000
Not later than one year	13,022	17,758
Later than one year and not later than five years	12,589	11,135
	25,611	28,893

21. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group entered into the following transactions with related parties:

			Year ended 31 March	
Name of related parties	Relationship	Nature	2013	2014
			HK$'000	HK$'000
CB Lighting Company Limited	Company under common control of the Controlling Shareholder	Purchases	30	—
		Sales	52	—

(b) Other related party transactions

Other amounts due from/to related parties are set out in note 17.

(c) Compensation of key management personnel

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March	
	2013	2014
	HK$'000	HK$'000
Salaries and other benefits	2,354	3,266
Pension costs — defined contribution plan	53	82
	2,407	3,348

22. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments as defined in note 3.5 of Section II have been applied to the line items below:

	2013	2014
	HK$'000	HK$'000
Financial assets		
Loans and receivables:		
Trade and other receivables	5,477	6,696
Cash and bank balances	3,534	4,087
	9,011	10,783
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	3,807	6,903
Amount due to a controlling shareholder	3,013	3,124
	6,820	10,027

23. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: including foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group undertakes certain purchase transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The Group is mainly exposed to foreign exchange fluctuation of the Euro ("EUR"), United States dollar ("USD") and Renminbi ("RMB") against HK$.

Since HK$ is pegged to USD, management considers that there is no significant foreign currency risk between these two currencies to the Group.

The Group's trade payables denominated in EUR and RMB are in insignificant amount at the end of each of reporting periods. The directors are of the opinion that the volatility of the Group's profits against change in exchange rate of EUR and RMB would not be significant. Accordingly, no sensitivity analysis is performed.

(b) Credit risk

Credit risk includes risks resulting from counter party default and risks of concentration. The Group has no significant credit risk as most of the retail sales are made in cash or by credit cards. In respect of sales on credit, the Group trades on credit only with corporate customers who have an established trading history with the Group. The Group has policies in place for the control and monitoring of relevant credit risks. These credit evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The directors are of the opinion that the Group does not have significant credit risks because the Group mainly trades with customers who have established trading history with the Group. The exposure to credit risk is closely monitored on an ongoing basis.

The credit risks on rental deposits are considered to be low as they can be recovered by offsetting against the rental payments.

The credit risk on cash and cash equivalents is limited because the counterparties are reputable and creditworthy banks.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and amount due to a Controlling Shareholder, and also in respect of its cash flow management. The cash management of all operating entities is centralised, including the raising of funds to cover expected cash demands. The Group's objective is to maintain sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As at 31 March 2013 and 2014, the Group's financial liabilities will be due for settlement either on demand or within one year. The liquidity policies have been consistently applied by the Group and are considered effective in managing the liquidity risks.

(d) Fair value

The fair values of the Group's financial assets and liabilities as at 31 March 2013 and 2014 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

24. CAPITAL RISK MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

25. EVENTS AFTER THE REPORTING DATE

The following significant transactions took place subsequent to 31 March 2014:

(i) The entities now comprising the Group completed the Reorganisation in preparation for the listing of shares of the Company on the Growth Enterprise Market of the Stock Exchange. Details of the Reorganisation are set out in paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 8 September 2014.

(ii) Pursuant to the resolutions of the shareholders passed on 11 September 2014, the Company has adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" under Appendix IV to the Prospectus.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 March 2014.

Yours faithfully,

BDO Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate number P05544
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth 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 COMBINED NET TANGIBLE ASSETS, OF OUR GROUP

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Placing might have affected the combined net tangible assets attributable to the owners of the Company after the completion of the Placing as if the Placing had taken place on 31 March 2014. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of our Group had the Placing been completed on 31 March 2014 or at any future dates.

The unaudited pro forma adjusted combined net tangible assets of our Group as at 31 March 2014 is based on the audited combined net tangible assets attributable to the owners of the Company as at 31 March 2014 as shown in the Accountants' Report set out in Appendix I to this prospectus and the adjustments described below.

	Audited combined net tangible assets attributable to owners of the Company as at 31 March 2014	**Estimated net proceeds from the Placing**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company**	**Unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company**
	HK$'000	**HK$'000**	**HK$'000**	**HK$**
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Placing Price of HK$0.5 per Placing Share	21,101	37,113	58,214	0.15
Based on the Placing Price of HK$0.6 per Placing Share	21,101	46,713	67,814	0.17

Notes:

(1) The audited combined net tangible assets attributable to owners of the Company as at 31 March 2014 are based on audited combined net assets attributable to owners of the Company as at 31 March 2014 as set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Placing are based on 100,000,000 Placing Shares and the Placing Price of HK$0.5 and HK$0.6 per Placing Share, respectively after deduction of the underwriting fees and related expenses payable by the Company.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Placing but takes no account of any Share which may be allotted and issued or repurchased by our Company pursuant to a general mandate.

(4) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2014.

(B) LETTER FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF OUR GROUP

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information.

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22 September 2014

The Directors
E Lighting Group Holdings Limited
Ample Capital Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of E Lighting Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 March 2014 and related notes (the "Unaudited Pro Forma Financial Information"). The Unaudited Pro Forma Financial Information and the applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are set out in Section A of Appendix II to the prospectus dated 22 September 2014 issued by the Company in connection with the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing of ordinary shares of the Company (the "Placing") on the Group's combined net tangible assets attributable to the owners of the Company as at 31 March 2014 as if the Placing had taken place on the same date. As part of this process, information about the Group's combined net tangible assets attributable to the owners of the Company as at 31 March 2014 has been extracted by the directors from the Group's financial information, on which an accountants' report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors 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 Listing 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").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing 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 comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing 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 the Placing on unadjusted financial information of the Group as if the Placing 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 Placing at 31 March 2014 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 Placing, and to obtain sufficient appropriate evidence about whether:

- The related 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 Group, 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 on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; 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 Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate number P05544
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2013 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated 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 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 adopted on 11 September 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the 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 with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are 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 from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) 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 shall be 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 shall be 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.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

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 Companies Law to be exercised or done by the Company in general meeting.

(iii) *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.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *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, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other 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. Subject as otherwise provided by the Articles, 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.

Subject to the Companies Law and the Articles, 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 shall 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 shall 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;

(ee) any contract or arrangement concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his close associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his close associates is derived); or

(ff) 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.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time 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 shall also be 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 (whether by way of salary, commission, participation in profits or otherwise) 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 (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) 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.

(vii) *Retirement, appointment 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) will 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 in every year will 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. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time 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. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

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 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 or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if 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 from time to time 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 shall, 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.

(viii) *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 (present and future) and uncalled capital of the Company and, subject to the 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.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. 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.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that 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 thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

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.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively 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, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, 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 on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The 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.

(e) Special resolution majority required

Pursuant to the Articles, 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 not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

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 held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and 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. Notwithstanding anything contained in the Articles, 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. On a poll, 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 on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

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 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 Designated Stock Exchange (as defined in the Articles), 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.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) 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 Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall 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.

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 the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), 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.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. 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. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such 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 the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed 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.

(j) 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 Designated Stock Exchange (as defined in the Articles) 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 in any case in which it thinks fit, in its discretion, to do so and 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 thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to 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.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, 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 a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the 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 any Designated Stock Exchange (as defined in the Articles).

(l) Power for 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.

(m) Dividends and other methods of distribution

Subject to the Companies Law, 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 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.

(n) 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 shall be 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 shall be 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. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, 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.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of amount 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 Companies Law or, upon a maximum payment of amount or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) 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.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the 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 law, as summarised in paragraph 3(f) of this Appendix.

(s) 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 (i) if the Company shall be 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 (ii) if the Company shall be 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 shall be 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 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.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the 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 Companies Law and, therefore, operates subject to Cayman 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) 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 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 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 Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any 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 business.

The 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.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

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

Subject to the provisions of the Companies Law, 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. 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 or purchase, a company cannot purchase any of its own shares unless the manner of purchase has 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 member of the company holding 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.

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

With the exception of section 34 of the Companies Law, there is 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. In addition, section 34 of the 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 (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands 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.

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) Management

The 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 shall 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.

(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 (1999 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 7 January 2014.

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 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 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 Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the 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.

An exempted company may, subject to the provisions of its articles of association, 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. There is no requirement under the 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.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business 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, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby 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. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and 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 shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) 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.

(p) Compulsory acquisition

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.

(q) 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

Harney Westwood & Riegels, 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 Companies Law, is available for inspection as referred to in the sub-section headed "Documents 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 COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 November 2013. Our Company has been registered as a non-Hong Kong company under Part XI of the Predecessor Companies Ordinance on 23 December 2013 and the principal place of business in Hong Kong is at 26th Floor, Tiffan Tower, 199 Wanchai Road, Wanchai, Hong Kong. Mr. Hui has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

(a) As at the date of incorporation, our Company has an authorised share capital of HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each. One Share was allotted and issued to the subscriber on 29 November 2013 credited as fully paid, which was subsequently transferred to Time Prestige on the same day.

(b) On 8 September 2014, pursuant to the Reorganisation and a share swap agreement entered into among our Company, Time Prestige and Ultilink *(Note 1)* on 8 September 2014, whereby as consideration for the acquisition by our Company of (i) 70 ordinary shares of CUG of US$1.00 each from Time Prestige and 30 ordinary shares of CUG of US$1.00 each from Ultilink, representing the entire issued share capital of CUG; and (ii) 98 ordinary shares of ECD from Time Prestige and 42 ordinary shares of ECD from Ultilink, representing the entire issued share capital of ECD, our Company allotted and issued (i) 699 Shares to Time Prestige all credited as fully paid at par, and (ii) at the direction of Ultilink, our Company allotted and issued 150 Shares to Star Adventure, 120 Shares to Time Palace and 30 Shares to Sino Key Global, respectively, all credited as fully paid at par.

(c) Immediately following completion of the Placing and the Capitalisation Issue, and without taking into account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Offer Size Adjustment Option and the Share Option Scheme, 400,000,000 Shares will be issued fully paid or credited as fully paid, and 600,000,000 Shares will remain unissued.

Note 1: Ultilink was at commencement of and throughout the Track Record Period and up to the Latest Practicable Date 50% owned by Mr. Hue, 40% owned by Mr. Chou and 10% owned by Mr. Yeung.

(d) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on 11 September 2014" in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(e) Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 11 September 2014

Pursuant to the written resolutions of our Shareholders passed on 11 September 2014:

(a) our Company approved and adopted the Memorandum and the Articles of Association the terms of which are summarised in Appendix III to this prospectus;

(b) conditional on the Listing Division granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day):

(i) the Placing was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Placing to rank *pari passu* with the existing Shares in all respects;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-section headed "Share Option Scheme" in this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and

(iii) conditional further on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to capitalise an amount of HK$2,999,990 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 299,999,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 11 September 2014 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

(c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Share allotted and issued in lieu of the whole or part of a dividend on the Shares or similar arrangement in accordance with the Articles of Association or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Placing, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or our Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on 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, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the

Placing and the Capitalisation Issue but excluding any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

(e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing pursuant to which our Company became the holding company of our Group. Detailed steps of the Reorganisation are set out in the sub-section headed "History, Reorganisation and Corporate Structure — Reorganisation" of this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following set out the shareholdings of our subsidiaries as at the commencement of the Track Record Period and the changes to the share capital since then up to the date of this prospectus:

(a) *Central Sky*

As at the commencement of the Track Record Period, Central Sky had an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each, of which 7 ordinary shares were held and owned by Mr. Hui and 3 shares were held and owned by Ultilink. On 8 September 2014, pursuant to the Reorganisation, Mr. Hui transferred his 7 ordinary shares of Central Sky to ECD at the consideration of HK$4,968,023.20 equivalent to 70% of the net asset value of Central Sky as at 31 March 2014 and Ultilink transferred its 3 ordinary shares of Central Sky to ECD at the consideration of HK$2,129,152.80 equivalent to 30% of the net asset value of Central Sky as at 31 March 2014.

(b) *Element Lighting*

As at the commencement of the Track Record Period, Element Lighting had an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each, of which 7 ordinary shares were held and owned by Mr. Hui and 3 shares were held and owned by Ultilink. On 8 September 2014, pursuant to the Reorganisation, Mr. Hui transferred his 7 ordinary shares of Element Lighting to ECD at the consideration of HK$2,202,708.20 equivalent to 70% of the net asset value of Element Lighting as at 31 March 2014 and Ultilink transferred its 3 ordinary shares of Element Lighting to ECD at the consideration of HK$944,017.80 equivalent to 30% of the net asset value of Element Lighting as at 31 March 2014.

(c) *E Lighting*

As at the commencement of the Track Record Period, E Lighting had an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each, of which 10,000 ordinary shares were held and owned by CUG. On 8 September 2014, pursuant to the Reorganisation, CUG transferred its 10,000 ordinary shares of E Lighting to ECD at the consideration of HK$1.00 by reference to the net asset value of E Lighting as at 31 March 2014.

(d) ***Good Harvest***

As at the commencement of the Track Record Period, Good Harvest had an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each, of which 1 ordinary share was held and owned by Mr. Hui. On 8 September 2014, pursuant to the Reorganisation, Mr. Hui transferred his 1 ordinary share of Good Harvest to ECD at the consideration of HK$5,798,504 equivalent to the net asset value of Good Harvest as at 31 March 2014.

(e) ***RS Holdings***

As at the commencement of the Track Record Period, RS Holdings had an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each, of which 10,000 ordinary shares were held and owned by ECD.

(f) ***228 INC***

On 6 November 2013, 228 INC was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each and upon the incorporation of 228 INC, one ordinary share of 228 INC was allotted and issued to its subscriber, Company Kit secretarial Services Limited, a ready-made shelf company provider, one ordinary share for cash at par. On 11 December 2013, ECD acquired one ordinary share of 228 INC from Company Kit secretarial Services Limited for cash at par and on the same day 228 INC issued and allotted 9,999 ordinary shares of HK$1.00 each to ECD for cash at par.

(g) ***CUG***

As at the commencement of the Track Record Period, CUG was authorised to issue 50,000 ordinary shares of US$1.00 each, of which 70 ordinary shares were held and owned by Mr. Hui and 30 shares were owned by Mr. Chou.

On 8 September 2014, pursuant to the Reorganisation, Mr. Hui transferred his 70 ordinary shares of CUG to Time Prestige at the nominal consideration of HK$1.00 and Mr. Chou transferred his 30 ordinary shares of CUG to Ultilink at the nominal consideration of HK$1.00.

On 8 September 2014, pursuant to the Reorganisation and the share swap agreement dated 8 September 2014, Time Prestige and Ultilink transferred their 70 shares of CUG and 30 shares of CUG to Top Triumph Global respectively as part of the consideration for our Company allotting and issuing 699 Shares to Time Prestige, 150 Shares to Star Adventure, 120 Shares to Time Palace and 30 Shares to Sino Key Global, all at par and credited as fully paid.

(h) *ECD*

As at the commencement of the Track Record Period, ECD was authorised to issue 50,000 ordinary shares, of which 70 ordinary shares were held and owned by Mr. Hui and 30 shares were owned by Mr. Chou.

On 8 September 2014, pursuant to the Reorganisation, Mr. Hui transferred his 70 ordinary shares of ECD to Time Prestige at the nominal consideration of HK$1.00 and Mr. Chou transferred his 30 ordinary shares of ECD to Ultilink at the nominal consideration of HK$1.00.

On 8 September 2014, pursuant to the Reorganisation, ECD allotted and issued 28 ordinary shares to Time Prestige for HK$12,969,235.40 and issued 12 ordinary shares to Ultilink for HK$3,073,170.60, all credited as fully paid in satisfaction of the total aggregate price of HK$16,042,406 payable by ECD for the acquisitions of 7 ordinary shares of Central Sky from Mr. Hui on 8 September 2014, 3 ordinary shares of Central Sky from Ultilink on 8 September 2014, 7 ordinary shares of Element Lighting from Mr. Hui on 8 September 2014, 3 ordinary shares of Element Lighting from Ultilink on 8 September 2014, 100 ordinary shares of E Lighting from CUG on 8 September 2014 and 1 ordinary share of Good Harvest from Mr. Hui on 8 September 2014.

On 8 September 2014, pursuant to the Reorganisation and the share swap agreement dated 8 September 2014, Time Prestige and Ultilink transferred their 98 shares of ECD and 42 shares of ECD to Top Triumph Global respectively as part of the consideration for our Company allotting and issuing 699 Shares to Time Prestige, 150 Shares to Star Adventure, 120 Shares to Time Palace and 30 Shares to Sino Key Global, all at par and credited as fully paid.

(i) *Top Triumph Global*

On 20 November 2013, 228 INC was incorporated in BVI and was authorised to issue 50,000 ordinary shares of US$1.00 each. On 11 December 2013, one ordinary share of US$1.00 was allotted and issued to our Company for cash at par.

Save as set out above, 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. Repurchase of the Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of the Shares by our Company.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The GEM Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on GEM 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.

Note: Pursuant to the written resolutions of our Shareholders passed on 11 September 2014, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on 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, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Sources of funds*

Any repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Exercise of the Repurchase Mandate*

On the basis of 400,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Placing, our Directors would be authorised under the Repurchase Mandate to repurchase up to 40,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(d) *Funding of repurchases*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our 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 Articles of Association, and the applicable laws and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our 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 core 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) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a deed of assignment dated 2 December 2013 entered into between Central Sky as assignor and CUG as assignee, pursuant to which Central Sky assigned all its right, title and interests in registered trade mark number 300275300 to CUG at the nominal consideration of HK$1.00;

(b) a deed of assignment dated 2 December 2013 entered into between RS Holdings as assignor and CUG as assignee, pursuant to which RS Holdings assigned all its right, title and interests in registered trade mark number 301660635 to CUG at the nominal consideration of HK$1.00;

(c) a deed of assignment dated 11 December 2013 entered into between Element Lighting as assignor and CUG as assignee, pursuant to which Element Lighting assigned all its right, title and interests in the domain name www.elighting.asia to CUG at the nominal consideration of HK$1.00;

(d) A sale and purchase agreement dated 8 September 2014 entered into between Mr. Hui as vendor and ECD as purchaser, pursuant to which ECD acquired 7 ordinary shares of Central Sky from Mr. Hui, and in settlement of the consideration ECD issued and allotted 7 share of ECD to Time Prestige at the direction of Mr. Hui, and all credited as fully paid;

(e) instrument of transfer and bought and sold note both dated 8 September 2014 entered into between Mr. Hui and ECD for the transfer of 7 ordinary shares of Central Sky from Mr. Hui to ECD in consideration of HK$4,968,023.20;

(f) A sale and purchase agreement dated 8 September 2014 entered into between Ultilink as vendor and ECD as purchaser, pursuant to which ECD acquired 3 ordinary shares of Central Sky from Ultilink, and in settlement of the consideration ECD issued and allotted 3 shares of ECD to Ultilink, and all credited as fully paid;

(g) instrument of transfer and bought and sold note both dated 8 September 2014 entered into between Ultilink and ECD for the transfer of 3 ordinary shares of Central Sky from Ultilink to ECD in consideration of HK$2,129,152.80;

(h) a sale and purchase agreement dated 8 September 2014 entered into between Mr. Hui as vendor and ECD as purchaser, pursuant to which ECD acquired 7 ordinary shares of Element Lighting from Mr. Hui, and in settlement of the consideration ECD issued and allotted 7 share of ECD to Time Prestige at the direction of Mr. Hui and all credited as fully paid;

(i) instrument of transfer and bought and sold note both dated 8 September 2014 entered into between Mr. Hui and ECD for the transfer of 7 ordinary shares of Element Lighting from Mr. Hui to ECD in consideration of HK$2,202,708.20;

(j) a sale and purchase agreement dated 8 September 2014 entered into between Ultilink as vendor and ECD as purchaser, pursuant to which ECD acquired 3 ordinary shares of Element Lighting from Ultilink, and in settlement of the consideration ECD issued and allotted 3 shares of ECD to Ultilink, and all credited as fully paid;

(k) instrument of transfer and bought and sold note both dated 8 September 2014 entered into between Ultilink and ECD for the transfer of 3 ordinary shares of Element Lighting from Ultilink to ECD in consideration of HK$944,017.80;

(l) a sale and purchase agreement dated 8 September 2014 entered into between CUG as vendor and ECD as purchaser, pursuant to which ECD acquired 10,000 ordinary shares of E Lighting from CUG, and in settlement of the consideration ECD issued and allotted 7 share of ECD to Time Prestige and 3 shares of ECD to Ultilink, at the direction of CUG and all credited as fully paid;

(m) instrument of transfer and bought and sold note both dated 8 September 2014 entered into between CUG and ECD for the transfer of 10,000 ordinary shares of E Lighting from CUG to ECD in consideration of HK$1;

(n) a sale and purchase agreement dated 8 September 2014 entered into between Mr. Hui as vendor and ECD as purchaser, pursuant to which ECD acquired 1 ordinary share of Good Harvest from Mr. Hui, and in settlement of the consideration ECD issued and allotted 7 share of ECD to Time Prestige and 3 shares of ECD to Ultilink, at the direction of Mr. Hui and all credited as fully paid;

(o) instrument of transfer and bought and sold note both dated 8 September 2014 entered into between Mr. Hui and ECD for the transfer of 1 ordinary share of Good Harvest from Mr. Hui to ECD in consideration of HK$5,798,504;

(p) a share swap agreement dated 8 September 2014 entered into between Time Prestige and Ultilink as vendors and our Company as purchaser, pursuant to which our Company acquired the entire issued share capitals of CUG and ECD from Time Prestige and Ultilink, and in settlement of the consideration, (i) 699 Shares were allotted and issued to Time Prestige, and (ii) as directed by Ultilink, 150 Shares were allotted and issued to Star Adventure, 120 Shares were allotted and issued to Time Palace and 30 Shares were allotted and issued to Sino Key Global respectively, and all credited as fully paid at par;

(q) a deed of non-competition dated 11 September 2014 executed by Mr. Hui and Time Prestige in favour of our Company, details of which are set out in the sub-section headed "Non-competition Undertakings by Controlling Shareholders" under the section headed "Relationship with our Controlling Shareholders and Non-competition Undertaking" of this prospectus;

(r) a deed of indemnity dated 11 September 2014 executed by Mr. Hui and Time Prestige, in favour of our Company (for our Company and as trustee for our subsidiaries) containing the indemnities referred to in the paragraph headed "Tax and other indemnities" in this appendix; and

(s) the Underwriting Agreement.

2. Intellectual property rights

(a) *Trademark*

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Class	Trademark Number	Registration Date	Place of Registration	Owner's name
Element Lighting Design	11	300275300	27 August 2004	Hong Kong	CUG *(Note 1)*
Lighting	11	301660635	12 July 2010	Hong Kong	CUG *(Note 2)*
ELG ELG	11, 20, 21, 24, 27 and 35	302869165	16 January 2014	Hong Kong	CUG
metropolis metropolis	11, 20, 21, 24, 27 and 35	302869174	16 January 2014	Hong Kong	CUG
euroLUX euroLUX	11, 21, 24, 27 and 35	302869183	16 January 2014	Hong Kong	CUG

Notes:

1. By a deed of assignment dated 2 December 2013 entered into between Central Sky as assignor and CUG as assignee, pursuant to which Central Sky assigned all its right, title and interests in registered trade mark number 300275300 to CUG, application was submitted by Central Sky and CUG to the Trade Marks Registry of Hong Kong on 3 December 2013 to transfer registered trademark number 300275300 from Central Sky to CUG. On 23 July 2014, the said registered trademark number 300275300 was transferred from Central Sky to CUG.

2. By a deed of assignment dated 2 December 2013 entered into between RS Holdings as assignor and CUG as assignee, pursuant to which RS Holdings assigned all its right, title and interests in registered trade mark number 301660635 to CUG, application was submitted by RS Holdings and CUG to the Trade Marks Registry of Hong Kong on 3 December 2013 to transfer registered trademark number 300275300 from RS Holdings to CUG. On 5 June 2014, the said registered trademark number 300275300 was transferred from RS Holdings to CUG.

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks:

Trademarks	Class	Application Number	Application Date	Place of Application	Applicant's name
e Lighting Group	11, 20, 21, 24, 27 and 35	302823804	3 December 2013	Hong Kong	CUG
Element Lighting Design Limited	11, 20, 21, 24, 27 and 35	302869147	16 January 2014	Hong Kong	CUG
e Lighting	11, 20, 21, 24, 27 and 35	302869156	16 January 2014	Hong Kong	CUG
eDesign eDesign	11, 20, 21, 24, 27 and 35	302869192	16 January 2014	Hong Kong	CUG
eCollection eCollection	11, 20, 21, 24, 27 and 35	302869200	16 January 2014	Hong Kong	CUG
Manhattan Lighting	11, 20, 21, 24, 27 and 35	302869219	16 January 2014	Hong Kong	CUG

(b) ***Domain names***

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Owner	Expiry Date
www.elighting.asia	CUG	11 September 2015

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

(a) ***Disclosure of interests of Directors***

(i) Mr. Hui, Mr. Hue and Mr. Chou through their wholly-owned companies, namely, Time Prestige, Star Adventure and Time Palace respectively, are interested in the Reorganisation of our Group referred to in the paragraph headed "Further information about our Company — Corporate Reorganisation" above in this appendix.

(ii) Save as disclosed in this prospectus, none of our Directors or their close associates were engaged in any dealing with our Group during the 24 months immediate preceding the date of this prospectus.

(b) ***Interests and short positions of Directors in Shares, underlying Shares or debenture of our Company and its associated companies***

Immediately following the completion of the Placing and the Capitalisation Issue but taking no account of the Shares to be issued on exercise of the Offer Size Adjustment Option and pursuant to options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, 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 any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46

to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Long Position in the Shares

Name	**Capacity/Nature of interest**	**Number of Securities** *(Note 1)*	**Approximate percentage of shareholding**
Mr. Hui	Interest in controlling corporation	210,000,000 (L) *(Note 2)*	52.5%
Mr. Hue	Interest in controlling corporation	45,000,000 (L) *(Note 3)*	11.25%
Mr. Chou	Interest in controlling corporation	36,000,000 (L) *(Note 4)*	9%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of our Company.

2. Shares in which Mr. Hui is interested consist of 210,000,000 Shares held by Time Prestige, a company wholly-owned by Mr. Hui.

3. Shares in which Mr. Hue is interested consist of 45,000,000 Shares held by Star Adventure, a company wholly-owned by Mr. Hue.

4. Shares in which Mr. Chou is interested consist of 36,000,000 Shares held by Time Palace, a company wholly-owned by Mr. Chou.

(c) *Particulars of service agreements*

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(d) ***Directors' remuneration***

(a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the two years ended 31 March 2013 and 2014 were approximately HK$1,694,000 and HK$1,644,000, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2015 will be approximately HK$1,644,000.

(c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	HK$
Executive Directors	
Mr. Hui	1,200,000
Mr. Chou	444,000
Mr. Hue	444,000
Independent non-executive Directors	
Mr. Chung Wai Man	120,000
Mr. Leung Wai Chuen	120,000
Ms. Yeung Mo Sheung Ann	120,000

(d) Each of our Directors has entered into a service agreement with our Company for a term of two years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

(e) ***Directors' competing interests***

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

2. Interest discloseable under SFO and substantial shareholders

So far as is known to our Directors and save as disclosed in this prospectus and taking no account of any Shares which may be taken up under the Placing, and Shares to be issued on exercise of the Offer Size Adjustment Option and pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Placing and the Capitalisation Issue, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, 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:

Our Company

Name	Capacity/Nature of interest	Number of Securities *(Note 1)*	Approximate percentage of shareholding
Mr. Hui	Interest in controlling corporation	210,000,000 (L) *(Note 2)*	52.5%
Time Prestige	Beneficial Owner	210,000,000 (L)	52.5%
Mr. Hue	Interest in controlling corporation	45,000,000 (L) *(Note 3)*	11.25%
Star Adventure	Beneficial owner	45,000,000 (L)	11.25%
Ms. Ng Hiu Ying	Interest of spouse	45,000,000 (L) *(Note 4)*	11.25%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of our Company.

2. Shares in which Mr. Hui is interested consist of 210,000,000 Shares held by Time Prestige, a company wholly-owned by Mr. Hui.

3. Shares in which Mr. Hue is interested consist of 45,000,000 Shares held by Star Adventure, a company wholly-owned by Mr. Hue.

4. Ms. Ng Hiu Ying is the spouse of Mr. Hue. Under the SFO, Ms. Ng is deemed to be interested in the same number of Shares in which Mr. Hue is interested.

3. Related party transactions

Details of the material related party transactions are set out under Note 21 to the Accountant's Report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or 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, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) taking no account of Shares which may be issued on exercise of the Offer Size Adjustment Option and pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Placing, have any interest in Shares or 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 be interested, directly or indirectly, 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;

(e) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once the Shares are listed on the Stock Exchange, 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 any interests and short positions which he will be 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, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	11 September 2014, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolution
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"business day"	any day on which the Stock Exchange is open for the business of dealing in securities
"Group"	our Company and any entity in which our Company, directly or indirectly, holds any equity interest

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 11 September 2014:

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of our Group.

(iii) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.

(v) *Maximum number of Shares*

(aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption

Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a subdivision or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.

(cc) Subject to sub-paragraph (dd) below, our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.

(dd) The aggregate number of 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 our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in the limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company, in any

12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted to such grantee must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

(aa) Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme (including options exercised, cancelled and outstanding) and any other share option schemes of our Company to such person in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associate and all core connected persons of our Company shall abstain from voting (except where any of such person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

(aa) No offer for the grant of options may be made after any inside information has come to the knowledge of our Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. No option 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 our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

(ii) the last day on which our Company shall publish an announcement of the results for any year, half-year or quarterly under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement.

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of tour Company are published and:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management as determined by the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion).

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group by reason of a termination of his/her employment on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(xv) *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised, and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he/she/it was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/

her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) *Rights on winding-up*

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our 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 our 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 referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors of our Company to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the "Suspension Date"), by giving notice in writing to our 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 our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, 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. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) *Lapse of options*

Subject to paragraph (xiv) above, an option shall lapse automatically on the earliest of:

(aa) the expiry of the period referred to in paragraph (ix) above;

(bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

(cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;

(dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) *Alteration to the Share Option Scheme*

(aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options and the prospective grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.

(bb) Any alternations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by our Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(xxiv) *Termination of the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Division granting the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders, namely Mr. Hui and Time Prestige, (collectively, the "**Indemnifiers**") have, under a deed of indemnity referred to in the paragraph headed "Summary of material contracts" in this appendix, given joint and several indemnities to our Company (for ourselves and as trustee for our subsidiaries) in connection with, among other things,

(a) any taxation (including estate duty) falling on any member of our Group:

(i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Placing becomes unconditional ("**Effective Date**"); or

(ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the Effective Date;

(b) all claims, proceedings, judgments, losses, liabilities, fines, penalties, payments, damages and any associated costs suffered by or incurred by any member of our Group as a result of, directly or indirectly:

(i) any litigation, arbitrations, claims (including counter-claims) and/or legal proceedings instituted by or against any member of our Group which was arising from any act, non-performance, omission or otherwise of any member of our Group on or before the Effective Date;

(ii) any business disruptions, claims, legal proceedings arising from any infringement of intellectual property of others caused by any non-registration or non-filing on or before the Effective Date of any of the trademarks or intellectual property rights owned or used by any member of our Group;

(iii) any error, discrepancy or missing documents in the statutory record of any member of our Group on or before the Effective Date;

(iv) any failure, delay or defect of corporate or regulatory non-compliance under, or any breach of any provision of, the Predecessor Companies Ordinance as detailed in the section headed "Business" of this prospectus under the paragraph headed "Material Non-compliance Incidents";

(v) any failure, delay or defect of regulatory non-compliance under, or any breach of any provision of, the Inland Revenue Ordinance as detailed in the section headed "Business" of this prospectus under the paragraph headed "Material non-compliance incidents";

(vi) any failure, delay or defect of regulatory non-compliance under, or any breach of any provision of, the EO or the Regulation, as detailed in the section headed "Business" of this prospectus under the paragraph headed "Material non-compliance incidents";

(vii) any failure, delay or defect of regulatory non-compliance under, or any breach of any provision of, the Mandatory Provident Fund Schemes Ordinance as detailed in the section headed "Business" of this prospectus under the paragraph headed "Material non-compliance incidents";

(viii) any failure, delay or defect of regulatory non-compliance under, or any breach of any provision of, any other applicable laws and regulations, by any member of our Group on or before the Effective Date; and

(ix) the Reorganisation for any losses or liabilities payable by our Company.

The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

(i) in relation to items (a) and (b) above, specific provision, reserve or allowance has been made for such liability in the audited combined accounts of our Company or any member of our Group for the Track Record Period;

(ii) in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Placing becomes unconditional; or

(iii) in relation to item (a) above, the taxation liability arises in the ordinary course of business of any members of our Group after 31 March 2014 up to and including the date on which the Placing becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Sponsor's fees are HK$3,500,000 and are payable by our Company.

Neither the Sponsor nor any of its close associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

(i) by way of sponsorship fee to be paid to the Sponsor for acting as the sponsor of the Listing;

(ii) by way of the compliance advisory fee to be paid to the Sponsor as our Company's compliance adviser pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules;

(iii) by way of underwriting fee to be paid to Ample Orient Capital Limited for acting as one of the underwriters to the Placing pursuant to the Underwriting Agreement; and

(iv) by way of praecipiums to be paid to Ample Orient Capital Limited for acting as one of the Joint Lead Managers pursuant to the Underwriting Agreement.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US$5,200 (equivalent to approximately HK$40,560) and are paid by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

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	Qualifications
Ample Capital	A licensed corporation under the SFO to carry on business in types 4, 6 and 9 of the regulated activities
BDO Limited	Certified Public Accountants
Harneys Westwood & Riegels	Cayman Islands lawyers
PRO-WIS Risk Advisory Services Limited	Independent Internal Control Adviser
Tso Au Yim & Yeung	Hong Kong lawyers

7. Consents of experts

Each of Ample Capital, BDO Limited, Harneys Westwood & Riegels, PRO-WIS Risk Advisory Services Limited and Tso Au Yim & Yeung has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Financial adviser

We have appointed Donvex Capital Limited ("**Donvex**") as our financial adviser in respect of the Listing. The appointment of Donvex was not made pursuant to the requirements of the GEM Listing Rules, and is separate and distinct from the appointment of the Sponsor (which is required to be made by our Company pursuant to the GEM Listing Rules). The Sponsor is responsible for fulfilling its duties as sponsor to our Company's application to the Stock Exchange for Listing, and the Sponsor has not relied on any of the work performed by Donvex in fulfilling those duties. The roles of Donvex in the Listing are different from that of the Sponsor, and include principally the following aspects:

- advise and assist our Company on the selection and hiring of working parties involved in the Listing process, and the coordination of the working parties;
- advise our Company on the structure, timing and strategy of the Listing including the Reorganisation and Listing group structure; and
- advise our Company on the financial aspects of the Listing process including our financial condition and our planned use of Listing proceeds.

9. 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 Ordinance so far as applicable.

10. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) *Cayman Islands*

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.

(c) *Consultation with professional advisors*

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares.

11. Material adverse change

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 31 March 2014, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 31 March 2014 which would materially affect the information shown in the Accountants' Report.

12. 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 our 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 commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries;

(iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any of the Shares or shares of any of the subsidiaries; and

(iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Save as disclosed in this prospectus, neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(c) Save in connection with the Underwriting Agreement, none of the parties listed in the paragraph headed "Consents of experts" in this appendix:

  (i) is interested legally or beneficially in any securities in our Company or any of its subsidiaries; or

  (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of its subsidiaries.

(d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure the Shares to be admitted into CCASS for clearing and settlement.

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) Our Group has no outstanding convertible debt securities.

(h) The English text of this prospectus shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE COMPANIES REGISTRY

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed "Other information — Consents of experts" in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed "Further information about our business — 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 office of Messrs. Tso Au Yim & Yeung at 2nd Floor, Beautiful Group Tower, 74-77 Connaught Road Central, Hong Kong during the normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of association of our Company;

(b) the Accountants' Report of our Group dated 22 September 2014 prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;

(c) the report from BDO Limited relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the letter prepared by Harneys Westwood & Riegels summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;

(e) the internal control review report dated 22 September 2014 issued by PRO-WIS Risk Advisory Services Limited in relation to the cash sales proceeds of our Group;

(f) the internal control review report dated 22 September 2014 issued by PRO-WIS Risk Advisory Services Limited in relation to the internal control measures of our Group for preventing non-compliance incidents;

(g) the Companies Law;

(h) the material contracts referred to in the paragraph headed "Summary of material contracts" under the paragraph headed "Further Information About Our Business" in Appendix IV to this prospectus;

(i) the service agreements referred to in the paragraph headed "Particulars of service agreements" in the section headed "Further Information about our Directors, Substantial Shareholders and Experts" in Appendix IV to this prospectus;

(j) the written consents referred to in the paragraph headed "Other information — Consents of experts" in Appendix IV to this prospectus; and

(k) the rules of the Share Option Scheme.