



**Synergy Group Holdings International Limited**  
**滙能集團控股國際有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8105

**LISTING BY**  
**WAY OF PLACING**

*Sponsor and Bookrunner*

**CLC** CLC INTERNATIONAL LIMITED  
創僑國際有限公司

*Lead Manager*

**CLC** CLC SECURITIES LIMITED  
創僑證券有限公司

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## IMPORTANT

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



## Synergy Group Holdings International Limited

滙能集團控股國際有限公司

*(Incorporated in the Cayman Islands with limited liability)*

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

**Number of Placing Shares :** 125,000,000 Placing Shares comprising 85,000,000 New Shares and 40,000,000 Sale Shares

**Placing Price :** Not more than HK\$0.70 per Share and expected to be not less than HK\$0.50 per Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)

**Nominal value :** HK\$0.01 per Share

**Stock code :** 8105

#### **Sponsor and Bookrunner**

**CLC** CLC INTERNATIONAL LIMITED  
創僑國際有限公司

#### **Lead Manager**

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創僑證券有限公司

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

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

The Placing Price is expected to be fixed by the Price Determination Agreement between our Company (for itself and on behalf of the Selling Shareholders) and the Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Tuesday, 17 March 2015, or such later date as may be agreed between and our Company and the Lead Manager. The Placing Price will not be more than HK\$0.70 per Placing Share and is expected to be not less than HK\$0.50 per Placing Share. If our Company (for itself and on behalf of the Selling Shareholders) and the Lead Manager (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 (for itself and on behalf of the Selling Shareholders) and the Lead Manager (for itself and on behalf of the Underwriters), the Placing will not become unconditional and will not proceed.

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 be given by the Lead Manager (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Lead Manager (for itself and on behalf of the Underwriters) terminate its obligations under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Placing will not proceed and will lapse. It is important that you refer to that section for further details.

13 March 2015

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## CHARACTERISTICS OF GEM

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*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 Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.*

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## EXPECTED TIMETABLE <sup>(Note 1)</sup>

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2015  
(Note 1)

Expected Price Determination Date (Note 2) on or about . . . . .	Tuesday, 17 March 2015
Announcement of the level of indication of interest in the Placing to be published on our Company's website at <a href="http://www.synergy-group.com">www.synergy-group.com</a> and the Stock Exchange's website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before . . . . .	Monday, 23 March 2015
Allotment of Placing Shares on or before . . . . .	Monday, 23 March 2015
Deposit of Share certificates for the Placing Shares into CCASS on or before (Notes 3 and 4) . . . . .	Monday, 23 March 2015
Dealings in Shares on GEM to commence at 9:00 a.m. on . . . . .	Tuesday, 24 March 2015

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Notes:

- (1) In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Particulars of the structure of the Placing, including the conditions thereto, are set out under the section headed "Structure of the Placing" in this prospectus.
- (2) The Price Determination Date is expected to be on or about Tuesday, 17 March 2015. If for any reason, the Placing Price is not agreed by Tuesday, 17 March 2015, or such later date as agreed by the Company (for itself and on behalf of the Selling Shareholders) and the Lead Manager (for itself and on behalf of the Underwriters), the Placing will not become unconditional and will not proceed.
- (3) Share certificates for the Placing Shares to be distributed to the placees are expected to be deposited directly into CCASS on or before Monday, 23 March 2015 for credit to the respective CCASS participants' or the CCASS investor participants' stock accounts designated by the Underwriters, the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued.
- (4) Share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Placing has become unconditional in all respects; and (ii) the Underwriting Agreement has not been terminated in accordance with its terms. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, we will make an announcement as soon as possible.
- (5) If there is any change to the above expected timetable, the Company will make a separate announcement to inform investors accordingly.

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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a Placing of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor, the Bookrunner, the Lead Manager and the Underwriters have not authorised any person to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents, affiliates or representatives or any other person involved in the Placing.*

*Information contained in our website, located at [www.synergy-group.com](http://www.synergy-group.com), does not form part of this prospectus.*

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## SUMMARY

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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 this prospectus in its entirety before you decide to invest in the Placing Shares.*

*There may be greater risks associated with investment in companies listed on GEM than companies listed on the Main Board. Some of the particular risks in investing in the Placing Shares are set out under the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.*

### OVERVIEW

We are an integrated energy saving solutions provider based in Hong Kong, specialising in lighting solutions. We possess a full range of capabilities which allows us to provide a broad range of energy saving services for lighting solutions, ranging from advising on lighting solution, product customisation, on-site inspection and measurement, product sourcing, project deployment to after sales service. Depending on our customers' specific needs and requirements, we provide either a part of such services within our range of capabilities as specified by our customers to cater their needs under our trading of lighting products business or our Consultancy Services, or we provide an entire spectrum of services, as in the provision of our leasing services. According to the Ipsos Report, we are the fourth largest energy management contract provider for lighting projects in Hong Kong in terms of total revenue for the year ended 31 December 2013.

Depending on the range of services we offer to our customers, our business is broadly divided into three segments:

#### **(i) Trading of lighting products**

We provide our energy saving solutions by selling our lighting products, including our "Tube-in-Tube" Fluorescent Lamps, LEDs and induction lamps to our customers together with provision of various support arrangements as depicted in the first table under the section headed "Business – Business model" in this prospectus, which may include provision of our business and technical know-how and advice on lighting products, customisation and advice on lighting products specifications and providing training on sales and marketing techniques of our lighting products. Our trading customers are mainly overseas distributors. We enter into distribution agreements (both exclusive and non-exclusive) with our distributors, who have local knowledge and market information in their local market. Complementary to delivery of our lighting products to our distributors, we also provide sales support and documentations so as to assist and facilitate them in engaging their energy saving business in their respective markets. Apart from our distributors, we may also occasionally enter into one-off sales contracts with our direct sales customers such as property management company and factory operator. We mainly sell our lighting products to them when they prefer direct purchase or where past electricity consumption comparable is not available. Our lighting products to overseas customers are priced with reference to a few factors including (i) electricity price; (ii) market acceptance of environmentally friendly lighting products in the relevant local markets; and (iii) the estimated revenues our customers may charge to their end customers for provision of energy saving solutions (if applicable). So far, we mainly sell our "Tube-in-Tube" Fluorescent Lamps, LEDs and induction lamps to our overseas customers.

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## SUMMARY

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### **(ii) Consultancy Services**

We provide Consultancy Services which assist our Consultancy Services customers, who are energy saving solutions providers, in providing their services in their respective regions. We provide our Consultancy Services customers with the business and technical know-how relating to energy saving solutions. Leveraging on our technical know-how and experience in providing energy saving solutions in Hong Kong, our primary objective for provision of our Consultancy Services is to assist and facilitate our customers in establishing their energy saving business and serve their customers in their designated markets. Each of the CS Contracts we entered into during the Track Record Period for provision of our Consultancy Services is project-based.

As depicted in the first table under the section headed “Business – Business model” in this prospectus, our scope of Consultancy Services includes (i) provision of business and technical know-how principally on energy saving and installation assessment; (ii) on-site inspection and measurement on our customers’ behalf at the targeted sites under the project; (iii) customisation and advice on lighting product specifications; (iv) issuance of measurement reports, analysis and carbon emission audit report showing the amount of savings if our suggested products are being used to replace the existing lighting products of the designated site of the end customers; and (v) provision of marketing materials showing energy saving case studies, referrals and credentials. Set out in the flow chart under the section headed “Business – Business model” in this prospectus is an illustration of the various stages of our work in our provision of Consultancy Services, and our roles involved and assistance provided to our Consultancy Services customers in their provision of energy saving solutions to their end customers.

Our Consultancy Services do not involve selling or leasing of our lighting products to our Consultancy Services customers or any third parties, but we will make recommendations on procurement and sourcing of lighting products from suitable suppliers including our OEMs and our short-listed suppliers. In the case if our “Tube-in-Tube” Fluorescent Lamps are the selected products, we will authorise our OEMs to supply the recommended quantity of such products to our Consultancy Services customers or their end customers directly.

While our Group generally takes four to five weeks’ time to complete the CS Contracts, our Consultancy Services customers generally take around seven to nine months from securing the end customers to commencement of billings or for completion of the sale and purchase of the lighting products. To avoid potential competition with our Consultancy Services customers, the targeted markets of our Consultancy Services should not be where our Group has presence or plan to expand or where we already have exclusive distributors. Further, our customers are required to agree and undertake under the terms of the CS Contracts that during a period of five years upon signing of the CS Contracts, they shall not, without engaging us as their consultant or business partner, enter into, or offer similar consultancy services that may compete with our Group.

During the Track Record Period, our Consultancy Services were project-based and were not provided regularly. However, our Directors are optimistic and believe that our Consultancy Services customers would continue to enter into further CS Contracts with us in the future for the following reasons: (1) we believe that our Consultancy Services customers have confidence in our Group’s track records and credential gained mainly in Hong Kong; (2) our Group’s expertise and know-how in the provision of energy saving solutions enables our Consultancy Services customers to rely on our existing resources and capabilities in assisting them in the provision of energy saving lighting solutions to their own customers; (3) our Consultancy Services customers have agreed to the non-competition covenants as contained in the CS Contracts; and (4) our Consultancy Services customers are not able to source our Synergy-branded lighting products, including our “Tube-in-Tube” Fluorescent Lamps, without our authorisation.



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## SUMMARY

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Our customers for Consultancy Services and their end customers may not have experience in energy saving lighting business, but the customers for Consultancy Services should have general knowledge as to the energy saving lighting business of its targeted markets. Our Consultancy Services assist and facilitate our Consultancy Services customers to enter into the energy saving business, by way of provision of leasing services by them in their targeted markets.

As advised by our Consultancy Services customers, their businesses generate revenue through sharing an agreed proportion of the saved electricity fee with their respective end customers in the PRC. In return for our services rendered, we will charge our Consultancy Services fees with reference to our estimation on the revenue that our customers may generate from their provision of energy saving solutions to their end customers as recommended by our reports which are prepared with consideration of the prevailing electricity charge rate in the PRC and the number of lighting products to be used. Other than our Consultancy Services fees, we do not share any portion of the revenue to be generated by our Consultancy Services customers from their end customers.

Our Consultancy Services to our customers were not provided regularly during the Track Record Period and the demand for our Consultancy Services may fluctuate. Further, our CS contracts during the Track Record Period had a relatively long credit period ranging from 150 days to 180 days. In view that the revenue generated from our Consultancy Services represented approximately 49.4%, 34.8% and 27.8% of our total revenue for each of the two financial years ended 31 March 2014 and for the six months ended 30 September 2014, respectively, our cashflow and financial position may be materially and adversely affected in the event that our Consultancy Services customers are unable to settle their trade receivables with our Group in a timely manner. Further details of the risks associated with our Consultancy Services business are set out in the section headed "Risk factors" of this prospectus.

### **(iii) Leasing services**

We provide our energy saving solutions by leasing our lighting products to our customers. As illustrated in the first table under the section headed "Business – Business model" in this prospectus, our leasing services comprise a full range of services along the business value chain from advising on lighting solutions to provision of after-sales services. The contract which we enter into with our leasing services is generally referred as EMC. Before we enter into EMCs with our customers, we provide on-site electricity consumption assessment using our calibrated measuring devices. Based on the on-site data we obtained, we propose different energy saving lighting products which comprise of our "Tube-in-Tube" Fluorescent Lamps and/or other lighting products to achieve electricity consumption savings for our customers.

The prominent features of our leasing services include (i) providing all of our energy saving lighting products at no initial costs to our customers with generally free installation; (ii) providing retrofit feature of our lighting products and generally does not require our customers to replace their existing lighting fixtures to use our lighting products; and (iii) during the term of the EMC, when our lighting products become faulty or spent and upon notification from our customers, providing replacement of lighting products to our customers. We generally sign three-year EMCs with our customers. During the term of the EMC, we charge a pre-determined fixed monthly leasing fee which represents a portion of the estimated savings on the customers' electricity charges after replacing their existing lighting products with our proposed lighting products based on the assessment results. The pre-determined fixed monthly leasing fee will not be adjusted during the contract term unless (i) where the actual total energy saving per month is substantially less than the estimated total energy saving per month as set out in the EMC, in which case, failing remedial actions, we shall determine such shortfall and adjust downwards the monthly leasing fee accordingly; or (ii) in the event that the effective electricity unit rate actually charged under the electricity bill is increased or decreased by more than 5% when compared to the electricity unit rate at the time of entering into the EMC, the fixed monthly leasing fee will be adjusted correspondingly. If the saving performance cannot be achieved after the failure of our remedial actions, our customers are entitled to early terminate the EMC without any penalty payable to us.

## SUMMARY

The lighting products being offered to our customers under our leasing services include our “Tube-in-Tube” Fluorescent Lamps and/or other lighting products, which include LEDs and induction lamps. Our customers in this business segment are mainly end-users of energy saving solutions, among which many of them are reputable and/or multi-national companies in Hong Kong, such as property management companies, car park operators, retail operators, banks and insurance companies, which utilise relatively substantial amount of electricity in the properties which they manage or operate, such as office premises, shopping malls, residential properties, car parks, retail chains and restaurants, etc.. As at the Latest Practicable Date, customers of our leasing services segment are mainly based in Hong Kong.

The table below sets forth the movements of the number, the total and average contract value and the total and average cost savings of our EMCs during the Track Record Period:

	Year ended 31 March		Six months ended 30 September
	2013	2014	2014
Contracts on hand at the beginning of year/period	107	113	109
Contracts signed			
– new contracts	19	14	5
– contracts renewed upon termination/expiry <sup>(Note 1)</sup>	25	25	11
Contracts terminated/expired during the year/period <sup>(Note 1)</sup>	<u>(38)</u>	<u>(43)</u>	<u>(21)</u>
Contracts on hand at the end of year/period	<u>113</u>	<u>109</u>	<u>104</u>
Renewal rate (for contracts renewed during the year/period only) <sup>(Note 2)</sup>	65.8%	58.1%	52.4%
	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Total contract value of contracts on hand <sup>(Note 3)</sup>	30,552	28,993	26,264
Average contract value of contracts on hand <sup>(Note 4)</sup>	270	266	253
Total cost savings under contracts on hand <sup>(Note 5)</sup>	50,573	50,829	47,662
Average cost savings under contracts on hand <sup>(Note 6)</sup>	448	466	458

Notes:

- Renewals of our EMCs only take place upon or after termination or expiry of the relevant contracts. To the best knowledge of our Directors, during the Track Record Period, our customers did not enter into new EMCs with us after their contracts terminated/expired, primarily due to (i) relocation of their offices; (ii) termination of their businesses; or (iii) their own commercial considerations, which may include, among other matters, their internal allocation of capital. For contracts terminated due to relocation of offices, our customers may not be able to enter into new contracts with us because our lighting products may not be applicable to their new offices and/or past electricity consumption comparable is not available for their new offices.
- Renewal rate equals to the number of renewed contracts during the year/period divided by the total number of contracts terminated/expired during the year/period.
- The total contract value of contracts on hand refers to the total amount of the service fees received or to be received by us pursuant to our EMCs on hand at the end of the relevant year or period.
- The average contract value of contracts on hand refers to the total contract value of our EMCs divided by the number of our EMCs on hand at the end of the relevant year or period.
- Total cost savings under contracts on hand refers to the total amount of savings by our customers in terms of energy consumption costs (i.e. electricity charges) as stated on our EMCs on hand at the end of the relevant year or period.
- The average cost savings under contracts on hand refers to the total cost savings under our EMCs divided by the number of our EMCs on hand at the end of the relevant year or period.

## SUMMARY

The table below sets forth the number of newly deployed lighting products for our leasing services during the Track Record Period:

	Year ended 31 March				Six months ended 30 September	
	2013		2014		2014	
	Number of pieces newly deployed	%	Number of pieces newly deployed	%	Number of pieces newly deployed	%
“Tube-in-Tube” Fluorescent Lamps	9,937	50.6	5,016	54.0	992	59.6
LEDs	9,005	45.8	4,250	45.8	673	40.4
Induction lamps	708	3.6	15	0.2	–	–
	<u>19,650</u>	<u>100.0</u>	<u>9,281</u>	<u>100.0</u>	<u>1,665</u>	<u>100.0</u>

The table below sets forth the aggregate number of lighting products utilised under our EMCs on hand as at 31 March 2013, 31 March 2014 and 30 September 2014:

	As at 31 March				As at 30 September	
	2013		2014		2014	
	Number of pieces utilised	%	Number of pieces utilised	%	Number of pieces utilised	%
“Tube-in-Tube” Fluorescent Lamps	108,596	86.4	98,560	85.0	88,018	83.0
LEDs	15,484	12.3	15,818	13.6	16,491	15.5
Induction lamps	1,614	1.3	1,629	1.4	1,629	1.5
	<u>125,694</u>	<u>100.0</u>	<u>116,007</u>	<u>100.0</u>	<u>106,138</u>	<u>100.0</u>

During the Track Record Period, the number of lighting products newly deployed for our leasing business decreased from 19,650 for the year ended 31 March 2013 to 9,281 for the year ended 31 March 2014 and to 1,665 for the six months ended 30 September 2014. The decrease was primarily because (i) save for replacement lighting products delivered to our customers upon their return of the damaged or spent lighting products, renewed contracts did not generally require re-deployment of lighting products; (ii) there was a decrease in the number of our new EMCs during the Track Record Period; and (iii) the average number of newly deployed lighting products in our new EMCs recorded a decrease during the Track Record Period.

Our Directors consider that such decrease in the number of lighting products newly deployed was not an indication of the limited growth potential of our leasing business, but only a result of the shifting of our focus to the development of our overseas market during the Track Record Period. As a result of such shift of our business focus, the aggregate number of lighting products utilised under our EMCs on hand slightly decreased by approximately 7.7% from 125,694 as at 31 March 2013 to 116,007 as at 31 March 2014 and further decreased by approximately 8.5% to 106,138 as at 30 September 2014.

### Our competitive strengths and business strategies

We believe we have the following competitive strengths:

1. We have an established business model in providing customised and integrated energy saving solutions which is well recognised by our customers.

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## SUMMARY

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2. Our “zero costs energy saving programme” under our leasing services business model is also well recognised by our customers.
3. We have a broad and stable customer base consisting of reputable and well-known companies.
4. We have in-depth technical expertise and experience, strong research and development capabilities and we own our “Tube-in-Tube” Fluorescent Lamp technology.
5. We have a dedicated and professional senior management team.

Our business strategies include:

1. Further expand in international markets through customisation of our lighting products and appointment of distributors.
2. Continue to expand in PRC markets through offering our Consultancy Services or entering into strategic partnerships.
3. Continue to expand our energy saving solutions business in Hong Kong.
4. Engage in marketing activities to enhance our brand image and recognition.
5. Enhance our research and development capabilities.

### **Our major customers**

Our major customers can be classified into the following groups:

- (a) our two Consultancy Services customers and with whom we enter into CS Contracts for our Consultancy Services;
- (b) our overseas distributors and our direct sales customers, who are Independent Third Parties, and with whom we enter into distribution agreements or one-off sales contracts respectively for sale and purchase of our lighting products; and
- (c) our leasing services customers, who are Independent Third Parties based in Hong Kong and with whom we enter into EMCs for our leasing of lighting products.

For the two years ended 31 March 2014 and for the six months ended 30 September 2014, revenue attributable to our top five customers together accounted for approximately 82.6%, 80.4% and 88.5% of our total revenue, respectively. Among them, Well Spread contributed the most to our revenue for the two years ended 31 March 2013 and 2014. Revenue from Well Spread accounted for approximately HK\$35.0 million, HK\$27.9 million and nil of our total revenue for each of the two years ended 31 March 2014 and for the six months ended 30 September 2014 respectively and representing approximately 49.4%, 34.8% and nil of our total revenue in the same period. Under the CS Contracts, a credit period of 180 days was agreed after arm’s length negotiations with Well Spread. The trade receivables due from Well Spread accounted for approximately 63.4%, 53.3% and 28.3% of our Group’s trade receivables as at 31 March 2013 and 2014 and 30 September 2014 respectively. For the six months ended 30 September 2014, our Japan distributor became our largest customer, and the revenue contributed by it accounted for approximately HK\$9.6 million, HK\$23.6 million and HK\$14.9 million for the two years ended 31 March 2013 and 2014 and the six months ended 30 September 2014 respectively, representing approximately 13.6%, 29.5% and 39.3% of our total revenue in the same period.

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## SUMMARY

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Our trade receivable turnover days were approximately 200 days, 260 days and 312 days for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 respectively and our trade receivables amounted to approximately HK\$44.1 million, HK\$69.9 million and HK\$59.0 million as at 31 March 2013, 31 March 2014 and 30 September 2014 respectively. Our relatively high level of trade receivable turnover days and relatively large balances of trade receivables during the Track Record Period were primarily due to (i) the fact that a majority of our Consultancy Services were rendered in the second half of each of the two years ended 31 March 2014 and in September 2014; (ii) the long credit period offered to our Consultancy Services customers of up to 180 days; and (iii) delayed settlements from our customers. The delayed settlements, which mainly involved those trade receivables past due over three months, were generally requests made to our Group from our customers for longer settlement periods due to their intensive capital investment for developing their respective markets and they mainly involved our trading customers and Consultancy Services customers. In particular, during the Track Record Period, we extended the settlement deadline beyond the credit periods granted to our Japan distributor and Australia distributor which were in the course of developing new customers, with a view to assisting them in establishing their customer bases for our lighting products in their respective markets. As at the Latest Practicable Date, (i) all of our trade receivables as at 31 March 2013 have been paid; (ii) all of our trade receivables as at 31 March 2014 have become due and payable, and approximately HK\$67.9 million, representing approximately 97.2% of our trade receivables as at 31 March 2014 has been paid; and (iii) all of our trade receivables as at 30 September 2014 have become due and payable, among which approximately HK\$57.0 million (representing approximately 96.6%) has been paid.

During the Track Record Period, the level of our reliance on Well Spread had been declining. The decline of our reliance was mainly due to (i) the continuously increasing contribution from our trading business (especially the overseas distribution) accounting for approximately 38.4%, 52.7% and 61.2% of the total revenue of our Group during the two years ended 31 March 2013 and 2014 and the six months ended 30 September 2014; and (ii) the signing of a new CS Contract with our new customer for Consultancy Services in August 2014, accounting for approximately 27.8% of the total revenue of our Group for the six months ended 30 September 2014. The new customer for our Consultancy Services is a Macau based company which is principally engaged in the provision of electrical and mechanical engineering services and energy saving consultancy services, and an Independent Third Party. It was established in Macau in 2003 with around 30-40 staff. As advised by such customer, its end customers for our Consultancy Services are mainly factories and education institutions located in the PRC, and the number of "Tube-in-Tube" Florescent Lamps involved in each relevant contract between such customer and its end customer ranged from around 10,000 to 20,000.

Furthermore, it is our Group's strategy to further expand the clientele of our Consultancy Services should we be able to identify suitable potential customer, further explore opportunities for cooperation with suitable business partners for our Group to explore business opportunities worldwide, continue to develop our distributors network, and further develop our leasing services. As such, our Directors are of view that our Group is not reliant upon Well Spread, and the contribution by Well Spread in terms of the proportion of income contribution to our Group's total revenue will be further reduced.

Our Directors are of the view that the significant increase in the demand of our Group's lighting products during the Track Record Period is due to (i) our successful experiences in providing energy saving solutions in Hong Kong; (ii) the credentials from our leasing services which are reputable and/or multi-national corporations in Hong Kong; (iii) the acceptance of energy saving solutions by our distributors and their end customers; (iv) our edge associated with our "Tube-in-Tube" Fluorescent Lamp technology; (v) the increased market awareness of our Company as a result of the referrals of our existing customers and our various marketing efforts including but not limited to the sales activities of our sales and marketing team, publication of articles regarding our Group or our participation in international trade fairs and exhibitions in the past years (including an exhibition held during the year ended 31 March 2013); and (vi) the relatively higher electricity unit rate in our distributors' local markets as compared to that of Hong Kong.

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## SUMMARY

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### Our major suppliers

Our major suppliers mainly include:

- (a) our OEMs, who are Independent Third Parties based in the PRC, and with whom we have the production subcontracting arrangements for our “Tube-in-Tube” Fluorescent Lamps and our high bay lamps; and
- (b) suppliers for other lighting products, who are Independent Third Parties, and from whom we purchase mainly LEDs and flood lights.

The production cost of our “Tube-in-Tube” Fluorescent Lamps and our high bay lamps charged by our OEMs contributed the most to the total amount paid to our suppliers for each of the two years ended 31 March 2014 and for the six months ended 30 September 2014 which were approximately HK\$13.3 million, HK\$18.4 million and HK\$12.0 million respectively, representing approximately 81.3%, 78.5% and 89.6% of our Group’s total costs of sales for trading of energy saving lighting products in the same period.

### RECENT DEVELOPMENT

Subsequent to 30 September 2014 and up to the Latest Practicable Date, we have confirmed orders of an aggregate of approximately 222,000 “Tube-in-Tube” Fluorescent Lamps, 100,000 LEDs and 4,000 induction lamps in relation to our trading of lighting products, of which approximately 121,000 “Tube-in-Tube” Fluorescent Lamps, 100,000 LEDs and 4,000 induction lamps have been delivered as at the Latest Practicable Date. For Consultancy Services, we have two confirmed orders of an aggregate contract sum of HK\$17.3 million with each of our existing customers, including Well Spread, with expected deployment in certain sites in Zhongshan and Zhuhai, the PRC. In addition, as at the Latest Practicable Date, we have 106 EMCs on hand. Subsequent to 30 September 2014 and up to the Latest Practicable Date, we entered into four new EMCs and renewed the term of four EMCs, while two EMCs were terminated upon expiry.

In addition, the Directors confirm that our Group’s trade receivable turnover days has improved from approximately 312 days for the six months ended 30 September 2014 to approximately 214 days for the ten months ended 31 January 2015.

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2014, being the date on which the latest financial information of our Group was reported in the Accountant’s Report set out in Appendix I to this prospectus and up to the date of this prospectus.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following is a summary of our consolidated financial information for the periods indicated. We have derived the summary from our consolidated financial information set forth in the Accountant’s Report in Appendix I to this prospectus. The below summary should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in the section headed “Financial information” in this prospectus.

## SUMMARY

### Summary of consolidated statements of comprehensive income

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Revenue	70,843	79,935	35,797	37,847
Gross profit	49,825	50,994	23,458	22,264
Total comprehensive income for the year/period attributable to the owners of the Company	22,062	23,538	11,079	11,832

### Revenue

#### (a) Breakdown by business segments

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(Unaudited)			
Trading of:								
"Tube-in-Tube" Fluorescent Lamps	25,058	35.4	33,304	41.7	17,168	48.0	13,164	34.8
Induction lamps <sup>Note</sup>	1,076	1.5	4,455	5.6	1,380	3.9	9,029	23.8
LEDs	1,045	1.5	4,300	5.4	623	1.7	970	2.6
Consultancy Services	34,992	49.4	27,856	34.8	11,853	33.1	10,503	27.8
Leasing Services	8,672	12.2	10,020	12.5	4,773	13.3	4,181	11.0
Total	<u>70,843</u>	<u>100.0</u>	<u>79,935</u>	<u>100.0</u>	<u>35,797</u>	<u>100.0</u>	<u>37,847</u>	<u>100.0</u>

Note: Induction lamps include high bay lamps, flood lights and the relevant parts of such lighting products.

#### (b) Breakdown by geographical areas

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(Unaudited)			
Hong Kong	45,170	63.8	42,873	53.6	17,831	49.8	15,825	41.8
Japan	10,065	14.2	23,594	29.5	6,665	18.6	14,884	39.3
Australia	8,190	11.6	3,853	4.8	3,853	10.8	6,855	18.1
Malaysia	4,080	5.8	5,859	7.3	5,859	16.4	–	–
Singapore	1,231	1.7	2,649	3.3	1,040	2.9	19	0.1
Other overseas regions	2,107	2.9	1,107	1.5	549	1.5	264	0.7
Total revenue	<u>70,843</u>	<u>100.0</u>	<u>79,935</u>	<u>100.0</u>	<u>35,797</u>	<u>100.0</u>	<u>37,847</u>	<u>100.0</u>

## SUMMARY

Our revenue for the year ended 31 March 2014 increased by approximately 12.8% compared with that for the year ended 31 March 2013. Such growth was primarily attributable to the increase in revenue from our trading of lighting products (which include our “Tube-in-Tube” Fluorescent Lamps, LEDs and induction lamps) and leasing services, which were partly offset by the decrease in Consultancy Services income. Our revenue generated from trading of lighting products for the year ended 31 March 2014 increased by approximately 54.7% compared with that for the year ended 31 March 2013, mainly due to our continuing effort in developing our overseas markets through our distributors. As we sold more lighting products to our distributors in Japan, Singapore and Malaysia due to increased demand in these countries, sales to overseas markets for the year ended 31 March 2014 was significantly higher than that of the year ended 31 March 2013.

Our Group’s revenue for the six months ended 30 September 2014 increased by approximately 5.7% compared with that for the six months ended 30 September 2013. Such growth was primarily attributable to the increase in revenue from our trading of lighting products, in particular, induction lamps. The revenue contribution from trading of induction lamps to our Group increased significantly from approximately 3.9% to approximately 23.8% of our Group’s total revenue for the six months ended 30 September 2014 compared with that for the six months ended 30 September 2013 as we sold more induction lamps to suit the needs of our distributors, especially for the Japan and Australia market. Our revenue generated from leasing services for the six months ended 30 September 2014 decreased by approximately 12.4% compared with that for the six months ended 30 September 2013, mainly due to termination of certain EMCs upon expiry which resulted in decrease in total number of EMCs. Our Consultancy Services income remains relatively stable for both periods.

### Gross profit

The following table sets out the breakdown of our Group’s gross profit and gross profit margin by segment during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$’000	(%)	HK\$’000	(%)	HK\$’000	(%)	HK\$’000	(%)
	(Unaudited)							
Trading of lighting products	10,834	39.9	18,683	44.4	9,105	47.5	9,730	42.0
Consultancy Services	33,972	97.1	26,995	96.9	11,517	97.2	10,273	97.8
Leasing services	5,019	57.9	5,316	53.1	2,836	59.4	2,261	54.1
Total	<u>49,825</u>	70.3	<u>50,994</u>	63.8	<u>23,458</u>	65.5	<u>22,264</u>	58.8

Our overall gross profit for the year ended 31 March 2014 increased by approximately 2.3% compared with that for the year ended 31 March 2013, due to an overall increase of gross profit of most of our revenue segments, among which gross profit generated from the trading of lighting products segment increased the most. Our overall gross profit for the six months ended 30 September 2014 decreased by approximately 5.1% compared with that for the six months ended 30 September 2013, mainly due to an overall decrease of gross profit in leasing services income and Consultancy Services segments with gross profit generated from the Consultancy Services segment having decreased the most. The decrease was partially offset by the increase of gross profit in trading of lighting products segment.



## SUMMARY

The gross profit margin for our Consultancy Services segment is significantly higher than our other two segments because the direct costs of our Consultancy Services (which mainly included staff salaries and research costs) are relatively low as compared to the attributable income.

### Summary of consolidated statements of financial position

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Current assets	55,975	81,491	70,134
Current liabilities	33,109	68,209	41,781
Net current assets	22,866	13,282	28,353
Non-current assets	29,738	22,361	19,572
Non-current liabilities	1,056	573	1,023
Net assets	51,548	35,070	46,902

Details of fluctuation of our financial data during the Track Record Period are set out under the section headed "Financial information" in this prospectus.

### SELECTED KEY FINANCIAL RATIOS

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	(Unaudited)			
Gross profit (HK\$'000)	49,825	50,994	23,458	22,264
Net profit (HK\$'000)	22,062	23,538	11,079	11,835
Gross profit margin	70.3%	63.8%	65.5%	58.8%
Net profit margin	31.1%	29.4%	30.9%	31.3%

As we expect our trading of lighting products will continue to increase, our related costing structure is also expected to change accordingly i.e. our costs of sales, in particular our material costs, is expected to increase. Due to the fact that our trading business is not the business segment with the highest gross profit margin and net profit margin, increase in revenue generated by our trading of lighting products may affect our overall profitability. Thus, we may not be able to maintain the overall gross profit margin and net profit margin as during the Track Record Period.

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## SUMMARY

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### LISTING EXPENSES

The total estimated listing expenses in connection with the Placing will be approximately HK\$39.8 million. Of this amount, approximately HK\$36.3 million will be borne by our Group and approximately HK\$3.5 million will be borne by the Selling Shareholders. Up to 30 September 2014, we have incurred listing expenses of approximately HK\$14.4 million.

It is estimated that approximately HK\$14.4 million will be charged to the profit or loss of our Group for the six months ending 31 March 2015 and approximately HK\$7.5 million will be charged to the equity of our Group for the year ending 31 March 2015. This calculation is based on the Placing Price of HK\$0.60 per Share (being the mid-point of our indicative Placing Price range of HK\$0.50 to HK\$0.70 per Share) and the assumption that 85,000,000 Shares expected to be issued under the Placing and 500,000,000 Shares are issued and outstanding immediately following the Placing and is subject to reallocation based on the actual expenses incurred or to be incurred.

Our Group anticipates that the listing expenses in the sum of approximately HK\$15.9 million will be charged to the profit or loss of our Group for the year ending 31 March 2015. The said amount represents approximately 51.3% of the net profit before tax of our Group for the year ended 31 March 2014. In light of the aforesaid, our results of operation for the year ending 31 March 2015 is expected to be, to certain extent, adversely affected by the non-recurring listing expenses.

### SUMMARY OF MATERIAL RISK FACTORS

Our Directors consider that there are risks and uncertainties relating to our business, our industry and the Placing. Some of the material risks we face include, but are not limited to:

- Our Group's gross profit margin may decrease or may not be sustainable
- We may be dependent on certain major customers
- We face risks associated with the marketing and sale of our lighting products internationally, and if we are not able to effectively manage these risks, our ability to expand our business abroad will be limited
- We may not be able to derive the desired benefits from our research and development efforts
- Our Consultancy Services provided to our customers were project-based and demand for our Consultancy Services may fluctuate

Further details of the risks we face are set out under the section headed "Risk factors" in this prospectus.

### USE OF PROCEEDS

The net proceeds from the Placing of New Shares, after deducting related expenses, are estimated to amount to approximately HK\$14.7 million assuming a Placing Price of HK\$0.60 per Share, being the mid-point of the indicative Placing Price range. Our Directors intend to apply such net proceeds from placing of New Shares as follows:

- approximately 30% of the net proceeds, or approximately HK\$4.4 million to be used for expansion of our Group's business in international markets;
- approximately 10% of the net proceeds, or approximately HK\$1.4 million to be used for expansion of our Group's business in the PRC;
- approximately 20% of the net proceeds, or approximately HK\$3.0 million to be used for expansion of our Group's business in Hong Kong;
- approximately 20% of the net proceeds, or approximately HK\$3.0 million to be used for the marketing activities to enhance our brand image and recognition;
- approximately 15% of the net proceeds, or approximately HK\$2.2 million to be used for enhancing our research and development capabilities; and
- the remaining amount of approximately HK\$0.7 million, representing approximately 5% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

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## SUMMARY

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Details of our future plans are set out in the section headed “Business objectives and future plans” in this prospectus.

### PLACING STATISTICS

	Based on the Placing Price of	
	HK\$0.50 per Share	HK\$0.70 per Share
Market capitalisation at the Placing Price (Note 1)	HK\$250 million	HK\$350 million
Unaudited pro forma adjusted consolidated net tangible assets per Share (Notes 2)	HK\$0.14	HK\$0.17

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#### Notes:

- (1) The calculation of the market capitalisation is based on 500,000,000 Shares expected to be in issue immediately after completion of the Placing but takes no account of any Shares which may fall to be issued upon the exercise of any option which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after adjustments referred to in the paragraph headed “Unaudited Pro Forma Adjusted Net Tangible Assets” in Appendix II to this prospectus and on the basis of 500,000,000 Shares in issue at the Placing Price immediately upon completion of the Placing.

### DIVIDEND POLICY

During each of the two years ended 31 March 2013 and 2014, our Group declared special interim dividends of approximately HK\$25.0 million and HK\$40.0 million respectively to our then equity owners. All dividends declared were fully settled prior to the Latest Practicable Date and were paid in cash out of the internal resources of our Group. Investors should pay attention to the possible impact on our cashflow and working capital as a result of the payment of the special dividend.

The declaration of future dividends will be subject to the discretion of our Directors and will depend on, inter alia, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors, that our Directors deem relevant. Accordingly, potential investors should note that dividend payments in the past should not be regarded as an indication of future dividend policy. There can be no assurance that we will declare dividends in the future.

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## DEFINITIONS

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

<i>“29 May 2009 Agreement”</i>	agreement entered into by SLL to acquire the rights in the patents of the “Tube-in-Tube” Fluorescent Lamp technology from its original inventors and owners, Mr. Chan and Mr. Ng dated 29 May 2009
<i>“32L Notice”</i>	the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Abundance”</i>	Abundance Development Limited, a limited liability company incorporated in BVI on 24 August 2009, the issued share capital of which is owned as to 100% by Mr. Mansfield Wong
<i>“Articles” or “Articles of Association”</i>	the articles of association of our Company conditionally adopted on 5 March 2015 to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus
<i>“associate(s)” or “close associate(s)”</i>	each has the meaning ascribed thereto under the GEM Listing Rules
<i>“BEEO”</i>	the Buildings Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Beneficial Owners”</i>	Miss Cheng, Mr. Cheung, Mr. Lau, Mr. Sun and Mr. Kwan
<i>“Board” or “Board of Directors”</i>	the board of Directors of our Company as at the date of this prospectus
<i>“Business Day”</i>	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
<i>“BVI”</i>	the British Virgin Islands
<i>“CCASS”</i>	the Central Clearing and Settlement System established and operated by HKSCC
<i>“CCASS Clearing Participant”</i>	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

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## DEFINITIONS

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<i>“CCASS Custodian Participant”</i>	a person admitted to participate in CCASS as a custodian participant
<i>“CCASS Investor Participant”</i>	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
<i>“CCASS Operational Procedures”</i>	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
<i>“CCASS Participant”</i>	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
<i>“China” or “PRC”</i>	People’s Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
<i>“China Jingan”</i>	中國京安信用擔保有限公司 (China Jingan Credit Guarantee Co. Ltd.)*, a state-controlled enterprise in the PRC
<i>“Class B Shares Redemption Option”</i>	option to request Synergy Worldwide to redeem the Class B Shares within the period of 60 days after the second anniversary of the date of issue of the Class B Shares at the redemption price per Class B Share equal to its issue price plus an additional amount equal to 10% per annum on the issue price of such Class B Share less the amount of any dividends declared and paid in respect of the Class B Shares during the 2 years
<i>“CLC” or “Sponsor” or “Bookrunner”</i>	CLC International Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
<i>“Companies Law”</i>	The Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
<i>“Companies Ordinance”</i>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Company” or “our Company”</i>	Synergy Group Holdings International Limited (滙能集團控股國際有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 14 December 2011
<i>“Companies (WUMP) Ordinance”</i>	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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<i>“Confidential Information”</i>	confidential information and information relating to our intellectual property rights that is passed to the OEMs for production of our “Tube-in-Tube” Fluorescent Lamps or high bay lamps, as appropriate
<i>“Confidentiality Agreements”</i>	the four agreements entered into by SLL with our four OEMs concerning the Confidential Information
<i>“connected person(s)” or “core connected person(s)”</i>	each has the meaning ascribed thereto in the GEM Listing Rules
<i>“Consultancy Services”</i>	consultancy services provided by our Group to third parties in assisting them in providing energy saving services in their markets
<i>“Controlling Shareholders”</i>	has the meaning ascribed thereto in the GEM Listing Rules and for the purpose of this prospectus, unless the context requires otherwise, refers to Mr. Alastair Lam, Mr. Mansfield Wong, Abundance and Mr. Arthur Lam as a group of persons acting in concert who together held approximately 31.9% shareholding interest in our Company immediately prior to completion of the Placing and is deemed as our controlling Shareholders immediately prior to completion of the Placing
<i>“Corporate Governance Code”</i>	the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules, as amended, supplemented or otherwise modified from time to time
<i>“CS Contract(s)”</i>	the Consultancy Services contract(s) entered into between our Group and our customers
<i>“Deed of Indemnity”</i>	the deed of indemnity entered into by Mr. Mansfield Wong, Abundance and Mr. Arthur Lam (each as an indemnifier) in favour of our Group on 5 March 2015
<i>“Director(s)”</i>	the director(s) of our Company
<i>“EJV Agreement”</i>	sino-foreign equity joint venture agreement entered into by Synergy (China) with China Jingan and Topgal for establishing Jingan Synergy
<i>“Electricity Ordinance”</i>	the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Electrical Products (Safety) Regulation”</i>	the Electrical Products (Safety) Regulation (Chapter 406G of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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<i>“EMSD”</i>	Electrical and Mechanical Services Department of the Government of Hong Kong
<i>“Exchangeable Notes”</i>	the two exchangeable notes of HK\$4,000,000 face value each, both dated 31 October 2010 executed between Mr. Alastair Lam and each of Mr. Chow and Mr. Tong respectively
<i>“Existing Individual Shareholder(s)”</i>	the existing individual shareholder(s) of Synergy Worldwide prior to the Reorganisation and subsequently our Company (other than Mr. Alastair Lam, Abundance, Mr. Arthur Lam and Fine Sky)
<i>“Existing Shareholder(s)”</i>	those person(s) who held shares in Synergy Worldwide immediately prior to completion of the Reorganisation and who then held Shares immediately upon completion of the Reorganisation, consisting of the Existing Individual Shareholders, Mr. Alastair Lam, Abundance, Mr. Arthur Lam and Fine Sky
<i>“Faeco”</i>	Faeco International Limited, a limited liability company incorporated in Hong Kong on 4 October 2002, the issued share capital of which is owned as to 98% by Mr. Chan, 1% by Mr. Ng and 1% by Mr. Ng Wai Kee
<i>“Fine Sky”</i>	Fine Sky International Enterprise Limited, a limited liability company incorporated in Hong Kong on 6 August 2009, the issued share capital of which is owned as to 50% by Mr. Chan and 50% by Mr. Ng. Fine Sky is a shareholder of Synergy Worldwide immediately prior to completion of the Reorganisation and a Shareholder immediately upon completion of the Reorganisation and a consultant engaged by SLL to provide research and development services to our Group pursuant to a consultancy contract entered into between SLL and Fine Sky on 29 March 2012 and an extension agreement made between the parties on 4 September 2013, details of which are set out in the paragraphs headed “SLL” in the section headed “History and corporate development” in this prospectus
<i>“GEM”</i>	the Growth Enterprise Market of the Stock Exchange
<i>“GEM Listing Rules”</i>	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
<i>“General Rules of CCASS”</i>	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

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## DEFINITIONS

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<i>“Group” or “our Group”</i>	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company
<i>“HKFRS(s)”</i>	Hong Kong Financial Reporting Standard(s)
<i>“HKICPA”</i>	the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants)
<i>“HKSCC”</i>	Hong Kong Securities Clearing Company Limited
<i>“HKSCC Nominees”</i>	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
<i>“Hong Kong” or “HK”</i>	the Hong Kong Special Administrative Region of the PRC
<i>“Hong Kong Share Registrar”</i>	Tricor Investor Services Limited
<i>“Incorporate Agreement”</i>	the Original Incorporate Agreement and the Supplemental Deed
<i>“Independent Third Party(ies)”</i>	party(ies) which is/are not connected with (within the meaning of the GEM Listing Rules) any of our Directors, chief executive of our Company, our substantial Shareholders and the directors, chief executive(s) and substantial shareholders of any other members of our Group and their respective associates
<i>“Ipsos”</i>	Ipsos Hong Kong Ltd., the industry expert engaged by our Company to prepare the Ipsos Report
<i>“Ipsos Report”</i>	an industry report dated 19 December 2014 prepared by Ipsos which was commissioned by us in relation to, among other things, the energy saving industry
<i>“IRD”</i>	Inland Revenue Department of Hong Kong
<i>“IRO”</i>	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Jingan Synergy”</i>	Jingan Synergy Energy Management Company Limited* (京安滙能能源管理有限公司), a sino-foreign equity joint venture company established in the PRC on 23 September 2013, a former subsidiary of our Group, of which its 72% shareholding was owned by Synergy (China), 20% shareholding was owned by China Jingan, and 8% shareholding was owned by Topgal



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## DEFINITIONS

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<i>“Latest Practicable Date”</i>	6 March 2015, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information referred to in this prospectus
<i>“Lead Manager”</i>	CLC Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities regulated activities under the SFO)
<i>“Listing”</i>	the listing of the Shares on GEM
<i>“Listing Date”</i>	the date on which the Shares first commence trading on GEM
<i>“Listing Division”</i>	the Listing Division of the Stock Exchange
<i>“LNG”</i>	La Nao Green Limited, a limited liability company incorporated in Hong Kong on 19 May 2010, being our joint venture partner which held 45% of the entire issued share capital of SLM prior to the disposal of the 55% issued share capital of SLM from Synergy Worldwide to LNG on 17 October 2014
<i>“Macau”</i>	the Macau Special Administrative Region of the PRC
<i>“Macau Joint Venture Agreement”</i>	the joint venture agreement dated 17 November 2011 entered into between Synergy Worldwide and SIEPS in relation to the partnership in Macau (as supplemented and amended by the two supplemental agreements both dated 21 August 2012 entered into by the parties to the Macau Joint Venture Agreement to amend certain terms of the Macau Joint Venture Agreement)
<i>“Main Board”</i>	the securities market operated by the Stock Exchange under the Rules Governing the Listing of Securities on the Stock Exchange prior to the establishment of GEM (excluding the options market) and which continues to be operated by the Stock Exchange in parallel with GEM and which, for the avoidance of doubt, excludes GEM
<i>“Memorandum” or “Memorandum of Association”</i>	the memorandum of association of our Company as amended, supplemented or otherwise modified from time to time
<i>“Miss Cheng”</i>	Miss Cheng Wan Gi, one of the Existing Individual Shareholders
<i>“Miss HY Tsang”</i>	Miss Tsang Hui Yan, one of the Existing Individual Shareholders
<i>“Miss Liu”</i>	Miss Liu Ai Mei, one of the Existing Individual Shareholders
<i>“Mpplication”</i>	Mpplication Group Limited, a limited liability company incorporated in Hong Kong on 16 February 2009, the issued share capital of which is owned as to 100% by Mr. Mansfield Wong

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## DEFINITIONS

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<i>“Mr. Alastair Lam”</i>	Mr. Lam Chung Ho Alastair, our founder, a non-executive Director and one of the Controlling Shareholders
<i>“Mr. Arthur Lam”</i>	Mr. Lam Arthur, an executive Director and one of the Controlling Shareholders
<i>“Mr. Chan”</i>	Mr. Chan Kam Kwan, one of the original inventors and owners of our “Tube-in-Tube” Fluorescent Lamp technology and one of the shareholders of Fine Sky
<i>“Mr. Cheung”</i>	Mr. Cheung Tsun Yung Thomas, one of the Existing Individual Shareholders
<i>“Mr. Chow”</i>	Mr. Chow Tze Wah, one of the Existing Individual Shareholders
<i>“Mr. Chu”</i>	Mr. Chu Kwok Hung Micky, one of the Existing Individual Shareholders
<i>“Mr. Derek Yeung”</i>	Mr. Yeung Ting Lap Derek Emory, an ex-director and ex-shareholder of Synergy Worldwide
<i>“Mr. HK Tsang”</i>	Mr. Tsang Ho Kwan, one of the Existing Individual Shareholders
<i>“Mr. HK Tsang Option Period”</i>	a period of 60 days from 15 January 2012
<i>“Mr. James Lam”</i>	Mr. Lam Ka Yuk, also known as Mr. Lam Ka Yuk James, the sole shareholder of Well Spread and the spouse of Mrs. Angela Lam
<i>“Mr. Kwan”</i>	Mr. Kwan Ka Hing, one of the Existing Individual Shareholders
<i>“Mr. Lau”</i>	Mr. Lau Wai Yan, one of the Existing Individual Shareholders
<i>“Mr. Ng”</i>	Mr. Ng Wai Kuen, one of the original inventors and owners of our “Tube-in-Tube” Fluorescent Lamp technology and one of the shareholders of Fine Sky
<i>“Mr. Paul Lam Jr”</i>	Mr. Lam Sze Chung Paul Jr, one of the Existing Individual Shareholders
<i>“Mr. Reinig”</i>	Mr. Werner Reinig, our research and development consultant
<i>“Mr. Sun”</i>	Mr. Sun Jianji, one of the Existing Individual Shareholders
<i>“Mr. Tong”</i>	Mr. Tong Chi Fung, one of the Existing Individual Shareholders
<i>“Mr. Mansfield Wong”</i>	Mr. Wong Man Fai Mansfield, our Chairman, Chief Executive Officer of our Group, an executive Director and one of the Controlling Shareholders

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## DEFINITIONS

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<i>“Mrs. Angela Lam”</i>	Miss Liu Yu Yan Angela, the sole shareholder of Topgal and the spouse of Mr. James Lam
<i>“Mrs. Fiona Lam”</i>	Miss Liang Wai Yun Fiona, spouse of Mr. Arthur Lam
<i>“Mrs. Linda Wong”</i>	Miss Cai, Linda Xin Xin, spouse of Mr. Mansfield Wong
<i>“New Shares”</i>	85,000,000 new Shares being offered by our Company at the Placing Price under the Placing
<i>“Note Subscribers”</i>	Mr. Chow and Mr. Tong
<i>“Opinions”</i>	《關於加快推行合同能源管理促進節能服務產業發展的意見》 (Opinions on accelerating the implementation of energy management contract to promote the development of energy saving service industry)
<i>“Option”</i>	option to request Mr. Alastair Lam to purchase the Class B Shares at the price equal to the redemption price for the Class B Shares Redemption Option set out in the articles of association of Synergy Worldwide
<i>“Option Period”</i>	a period of 60 days from the second anniversary of the date of issue of the Class B Shares
<i>“Original Incorporate Agreement”</i>	agreement entered into by Synergy Worldwide to further our Group’s investments into the energy saving air conditioning and cooling management business dated 21 April 2011
<i>“Patents Ordinance”</i>	the Patents Ordinance (Chapter 514 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Placing”</i>	the conditional placing of the Placing Shares by the Underwriters for and on behalf of our Company and the Selling Shareholders for cash at the Placing Price as described in this prospectus
<i>“Placing Price”</i>	the final price for each Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy), which will not be more than HK\$0.70 per Placing Share and is expected to be not less than HK\$0.50 per Placing Share, such price to be fixed on the Price Determination Date
<i>“Placing Shares”</i>	125,000,000 Shares comprising the 85,000,000 New Shares being offered by our Company for subscription under the Placing and the 40,000,000 Sale Shares being offered for sale by the Selling Shareholders under the Placing

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## DEFINITIONS

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<i>“PRC Enterprise Income Tax Law”</i>	中華人民共和國企業所得稅法 (Enterprise Income Tax Law of the PRC)
<i>“Price Determination Agreement”</i>	the agreement to be entered into between our Company (for itself and on behalf of the Selling Shareholders) and the Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the Placing Price
<i>“Price Determination Date”</i>	the date on which the Placing Price is determined, which is expected to be on or around Tuesday, 17 March 2015, or such other date as may be agreed between our Company (for itself and on behalf of the Selling Shareholders) and the Lead Manager (for itself and on behalf of the Underwriters)
<i>“Reorganisation”</i>	the reorganisation of the group of companies comprising our Group completed on 5 March 2015, which is more particularly described under the section headed “History and corporate development – Group reorganisation” in this prospectus
<i>“Reorganisation Agreement”</i>	an agreement entered into between our Company, Synergy Worldwide, Mr. Mansfield Wong and the Existing Shareholders pursuant to which our Company acquired from the Existing Shareholders the entire issued shares of Synergy Worldwide at the consideration of 414,990,000 new Shares being issued and allotted to the Existing Shareholders and the 10,000 nil-paid Shares held by Mr. Alastair Lam being credited as fully-paid at par
<i>“Return for Profits Tax”</i>	return for profits tax purposes for final assessment for the year 2009/10 and provisional payment for the year 2010/11 in relation to SLL
<i>“Sale Shares”</i>	40,000,000 Shares to be sold by the Selling Shareholders as described in the section headed “Structure of the Placing” in this prospectus
<i>“SCM (BVI)”</i>	Synergy Cooling Management Limited, a limited liability company incorporated in BVI on 1 April 2011, and approximately 27.2% issued share capital of which is owned by Synergy Worldwide
<i>“SCM (HK)”</i>	Synergy Cooling Management (H.K.) Limited (滙能空調管理(香港)有限公司), a limited liability company incorporated in Hong Kong on 21 April 2011 and wholly-owned by SCM (BVI)
<i>“SCMM (BVI)”</i>	Synergy Cooling Management (Malaysia) Limited, a limited liability company incorporated under the laws of BVI on 11 November 2013 and wholly-owned by SCM (BVI)

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## DEFINITIONS

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“SEM (Malaysia)”	Synergy ESCO (Malaysia) Sdn. Bhd., a limited company incorporated in Malaysia on 17 April 2014 and indirectly wholly-owned by SCM (BVI)
“SDC”	Council for Sustainable Development of Hong Kong
“Second IP Rights Agreement”	the second agreement entered into by SLL, Synergy Worldwide, Mr. Chan, Mr. Ng, Faeco and Fine Sky to transfer the rights in the patents to our Group dated 23 December 2009
“SE (HK)”	Synergy Cooling ESCO (HK) Limited (滙能空調節能服務(香港)有限公司), a limited liability company incorporated in Hong Kong on 11 June 2014 and wholly-owned by SCM (BVI)
“Selling Shareholders”	those Shareholders set out under the section headed “Controlling and Selling Shareholders – Selling Shareholders” in this prospectus
“SFC”	The Securities and Futures Commission in Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGT”	Synergy Green Technology Limited, a limited liability company incorporated in Hong Kong on 9 June 2010, the issued share capital of which is owned as to approximately 95.9% by Mr. Cheung Wai Man Stephen, approximately 4.0% by Mr. Cheng Chi Kuen and approximately 0.1% by IS Point Refrigeration International Holding Limited
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 5 March 2015, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	shares of HK\$0.01 each in the share capital of our Company
“SIEPS”	Synergy International Environmental And Power Saving (Macao) Co. Ltd., a limited liability company incorporated in Macao on 27 February 2012, the issued share capital of which is owned as to 60% by Lei Seong Property Management Company Limited, 30% by Mr. Lam In Wai and 10% by Mr. Leong Kuan Weng, each an Independent Third Party (including its ultimate beneficial owners where applicable)

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## DEFINITIONS

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<i>“Sinochief”</i>	Sinochief Development Limited, a limited liability company incorporated in Hong Kong on 13 June 1997, the issued share capital of which is owned as to 50% by Mr. Tang Kwok Cheung and 50% by Miss Zee Margaret, each an Independent Third Party
<i>“SLL”</i>	Synergy Lighting Limited (匯能燈光有限公司), a limited liability company incorporated in Hong Kong on 3 December 2008 and wholly-owned by Synergy Worldwide
<i>“SLM”</i>	Synergy Lighting (Mexico) Limited (formerly known as Wise Champ Corporation Limited), a limited liability company incorporated in Hong Kong on 2 December 2010, and previously owned as to 55% by Synergy Worldwide prior to the disposal to LNG on 17 October 2014
<i>“Stock Exchange”</i>	The Stock Exchange of Hong Kong Limited
<i>“Supplemental Deed”</i>	the supplemental deed dated 15 February 2013 entered into between Synergy Worldwide (formerly known as Synergy Group Holdings International Limited), SGT, Gain Best Group Limited, Fuqi Holdings Limited, Great Prime Group Limited, Mr. Fok Yin Pong, Sinochief, Mr. HK Tsang, Mr. Cheung Wai Man Stephen and SCM (BVI) to clarify and amend certain terms of the Original Incorporate Agreement
<i>“substantial Shareholder(s)”</i>	has the meaning ascribed thereto under the GEM Listing Rules
<i>“Success Gold”</i>	Success Gold Investment Ltd., a company incorporated under the laws of BVI, its entire issued share capital is legally and ultimately beneficially owned by Miss Chan Yuk. Each of Success Gold and Miss Chan Yuk is an Independent Third Party
<i>“Synergy (China)”</i>	Synergy Lighting (China) Limited, a limited liability company incorporated in Hong Kong on 6 June 2012, and was wholly-owned by Synergy Worldwide prior to the disposal to Mr. Alastair Lam on 10 March 2014

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## DEFINITIONS

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<i>“Synergy Worldwide”</i>	Synergy Group Worldwide Limited (滙能集團環球有限公司) (formerly known as Synergy Group Holdings International Limited, Synergy Lighting Group Limited, Synergy Group Services Limited and Oriental Champ Investments Limited), a limited liability company incorporated in BVI on 8 August 2008, the issued share capital of which is owned as to approximately 12.0%, 8.6%, 11.4%, 4.0%, 4.8%, 3.1%, 1.1%, 3.3%, 3.4%, 4.6%, 4.8%, 4.8%, 4.8%, 5.0%, 1.8%, 6.2%, 6.2% and 10.0% by Mr. Alastair Lam, Mr. Arthur Lam, Abundance, Fine Sky, Mr. Chu, Mr. Paul Lam Jr, Miss HY Tsang, Sinochief, Mr. HK Tsang, Miss Liu, Mr. Cheung, Miss Cheng, Mr. Sun, Mr. Lau, Mr. Kwan, Mr. Chow, Mr. Tong and Success Gold respectively prior to completion of the Reorganisation and it became a direct wholly-owned subsidiary of our Company immediately upon completion of the Reorganisation
<i>“Takeovers Codes”</i>	the Codes on Takeovers and Mergers and Share Buybacks, issued by the SFC, as amended, supplemented or otherwise modified from time to time
<i>“Third IP Rights Agreement”</i>	the third agreement entered into by SLL, Synergy Worldwide, Mr. Chan, Mr. Ng, Faeco and Fine Sky to transfer the rights in the patents to our Group dated 30 November 2011
<i>“TMO”</i>	the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<i>“Topgal”</i>	Topgal Investment Limited, a limited liability company incorporated in Seychelles on 15 January 2010, the issued share capital of which is owned as to 100% by Mrs. Angela Lam
<i>“Track Record Period”</i>	the two financial years ended 31 March 2014 and the six months ended 30 September 2014
<i>“Underwriter(s)”</i>	the underwriter(s) of the Placing whose name(s) are set out under the section headed “Underwriting – Underwriters” in this prospectus
<i>“Underwriting Agreement”</i>	the conditional underwriting agreement dated 12 March 2015 made between, among others, our Company, the executive Directors, the Selling Shareholders, the Sponsor, the Lead Manager and the Underwriters relating to the Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus
<i>“United States” or “US”</i>	the United States of America

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## DEFINITIONS

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“Waste Disposal Ordinance”	the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Waste Disposal Regulation”	the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“we”, “us” or “our”	our Company or our Group (as the context may require)
“Well Spread”	Well Spread Group Limited, a limited liability company incorporated in BVI on 27 January 2010, the issued share capital is owned as to 100% by Mr. James Lam, a Consultancy Services customer of our Group
“Width”	Width International Holdings Limited, a limited liability company incorporated in Hong Kong on 7 September 2006 and dissolved on 9 January 2015, the issued share capital of which was owned as to 50% by Mr. Chan Siu Hong and 50% by Mr. Chan Tsz Ying, each an Independent Third Party
“HK\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”, “USD” or “US dollars”	the US dollars, the lawful currency of the US
“sq. m.” and “sq. ft.”	square metre and square feet
“%”	per cent.

*For the purposes of this prospectus, unless otherwise indicated, the following exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts have been, could have been or may be exchanged, at these or any other rates or at all:*

<i>HK\$7.78</i>	<i>=</i>	<i>US\$1</i>
<i>HK\$100</i>	<i>=</i>	<i>RMB81</i>
<i>HK\$2.13</i>	<i>=</i>	<i>RM1</i>

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*English translation of the names of non-Hong Kong companies, entities, locations, arrangements or regulations are provided for identification purpose only.*



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## GLOSSARY

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*This glossary contains explanations of certain terms used in this prospectus in connection with the business of our Group. The terminology and their meanings may not correspond to standard industry meanings or usage of those terms.*

“Bi-polar”	“Bipolar electricity transmission”, a type of configuration for electricity transmission whereby a pair of conducts is used, each at a high potential respect to ground, in opposite polarity
“C Tick”	compliance label applied to electrical and electronic devices, or radio communications devices to be sold in Australia and New Zealand
“CE”	Conformité Européenne (“European Conformity”), a mandatory conformity mark for products placed on the market in the European Economic Area (EEA). With the CE marking on a product the manufacturer ensures that the product conforms with the essential requirements of the applicable EC directives
“CIF”	cost, insurance and freight – the seller delivers when the goods pass the ship’s rail in the port of shipment, and the seller pays the costs and freight necessary to bring the goods to the named port of destination, and the seller also has to procure marine insurance against the buyer’s risk of loss of or damage to the goods during the carriage
“EMC”	energy management contract
“EPC”	energy performance contracting
“ESCO”	energy service company
“FOB”	free on board – delivery of goods on board the vessel at the named port of origin (loading), at the seller’s expense. The buyer is responsible for main carriage/freight, cargo insurance and other costs and risks
“GDP”	gross domestic product, the value of all officially recognised goods and services produced of a country or a territory in a given period
“HVAC”	heating, ventilating, and air conditioning
“IC”	“Integrated circuit”, an electronic circuit which surface has a thin substrate of semiconductor material
“ISO”	the International Organization for Standardisation, a worldwide federation of national standardisation bodies

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## GLOSSARY

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“K”	“Kelvin”, a unit of measure for temperature, often used for measuring colour temperature of light source
“kWh”	“kilowatt-hour”, a unit of measure for energy, the standard unit of energy used in the electric power industry
“LED”	light-emitting diode, a semiconductor light source
“MR16”	a type of reflector lamps with a multifaceted reflector of 2 inches in diameter
“ODM”	original design manufacturer, under which products are designed and manufactured in whole or in part by the manufacturer in accordance with the customer’s specifications and are marketed under the customer’s brand name using the customer’s character licenced products
“OEM”	original equipment manufacturer who manufactures products in whole or in part in accordance with the customer’s specifications and are marketed under the customer’s brand name using the customer’s character licenced products
“PSE”	compliance mark for electrical devices to be sold in Japan, indicating compliance with the Electrical Appliance and Material Safety Law of Japan
“retrofit”	( <i>verb(tr)</i> – retrofits, retrofitting, retrofitted) the act to substitute or replace with new or modernized part or equipment for older ones
“retrofit product”	the part or equipment which can be used to substitute or replace the existing or older product
“retrofit solution”	part of our energy saving solutions to our customers, where we utilise our knowhow and experience to advise and customise our energy saving lighting products, in particular our “Tube-in-Tube” Fluorescent Lamps and retrofit existing or older products of our customers with these new retrofit products
“RoHS”	the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (2002/95/EC), which was adopted in February 2003 by the European Union, as amended from time to time
“T5 tube”	a type of fluorescent light tubes with 5/8 inch in diameter
“T8 tube”	a type of fluorescent light tubes with 1 inch in diameter
“T12 tube”	a type of fluorescent light tubes with 1½ inches in diameter

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## GLOSSARY

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<i>"TISI"</i>	Thailand Industrial Standards Institute, the official certification body to provide product certification for applicable standards. It is responsible for the inspection and assessment of quality control of the manufacturers and evaluation of products
<i>"Tube-in-Tube" Fluorescent Lamp</i>	a customised fluorescent tube system, which is patented in many countries and owned by our Group
<i>"UL/cUL"</i>	Underwriters Laboratories, an independent US test organisation. UL Approval is often a requirement for equipment in use in the US
<i>"V"</i>	"Volt", a unit of measure for electric potential, electric potential difference and electromotive force
<i>"W"</i>	"Watt", a unit of measure for the rate of energy conversion or transfer

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that state our Group's intention, belief, expectation or prediction for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- the industry regulatory environment as well as the industry outlook in general;
- the amount and nature of, and potential for, future development of our Group's business;
- our Group's business objectives and strategies;
- our Group's capital expenditure plans;
- our Group's operations and business prospects; and
- our Group's future plans.

The words "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. All statements (other than statements of historical facts included in this prospectus), including statements regarding our Group's strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect our current view with respect to future events, but they are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risks factors as disclosed under the section headed "Risk factors" and elsewhere in this prospectus. One or more of these risks or uncertainties may materialise, or the underlying assumptions may prove to be incorrect. Although our Directors believe that our current views as reflected in those forward-looking statements based on currently available information are reasonable, we can give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

Subject to the requirements of the GEM Listing Rules or the applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Placing Shares before making any investment decision in relation to the Placing Shares.*

*This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions, which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this prospectus.*

### RISKS RELATING TO OUR GROUP

#### **Our Group's gross profit margin may decrease or may not be sustainable**

Our Group's overall gross profit margin has been decreasing during the Track Record Period. Our overall gross profit margin was approximately 70.3%, 63.8% and 58.8% respectively for each of the two financial years ended 31 March 2014 and the six months ended 30 September 2014 respectively.

An analysis of our gross profit margin by segments is set out in the section headed "Financial information – Description of principal income statement items – Gross profit and gross profit margin" in this prospectus.

Our revenue proportion between our three business segments may change as a result of adjustments in our business strategy, market conditions, customers' demand and other factors. Our income proportion between the three segments had changed during the Track Record Period as more particularly described in the sections headed "Financial information – Description of principal income statement items – Revenue", and "Financial information – Description of principal income statement items – Gross profit and gross profit margin" in this prospectus.

If our revenue mix changes and a business segment with lower gross profit margin gains larger proportion in our total revenue, our profitability may be adversely affected. Also, the gross profit margin of each segment and our business as a whole may not be sustainable as a result of increase in material costs and increase in the number of competitors within the market.

As we expect our trading of lighting products will continue to increase, our related costing structure is also expected to change accordingly (i.e. our costs of sales, in particular our material costs as well as warranty cost, is expected to increase). Due to the fact that our trading business is not the business segment with the highest gross profit margin and net profit margin, increase in revenue generated by our trading of lighting products may affect our overall profitability. Thus, we may not be able to maintain the overall gross profit and net profit margin to those during our Track Record Period.

#### **We may be dependent on certain major customers**

We rely on our major customers to purchase a significant portion of our lighting products or service. For the two years ended 31 March 2014 and for the six months ended 30 September 2014, revenue attributable to our top five customers together accounted for approximately 82.6%, 80.4% and 88.5% of our total revenue, respectively, while the largest customer accounted for approximately 49.4%, 34.8% and 39.3% of our total revenue, respectively.

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## RISK FACTORS

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There can be no assurance that we will be able to retain these customers or that they will maintain their business relationship with us. If there is a reduction or cessation of orders from these customers for whatever reasons and we are unable to obtain suitable orders of a comparable size and terms in substitution, our business, financial condition and results of operations may be materially and adversely affected. Moreover, given that most of our revenue is derived from our sale to our five largest customers, any deterioration on their ability to purchase our lighting products or Consultancy Services and/or to settle their trade receivable in a timely manner will have a material adverse effect on our results of operations.

**We face risks associated with the marketing and sale of our lighting products internationally, and if we are not able to effectively manage these risks, our ability to expand our business abroad will be limited**

Our Group expands our market internationally primarily through our distributors and our business partners. Our revenue generated from overseas accounted for approximately 36.2%, 46.4% and 58.2% of our total revenue for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 respectively. The marketing and sale of our lighting products overseas expose us to a number of risks, including but not limited to:

- increased costs associated with maintaining the ability to understand the international markets and following their trends;
- difficulty with developing and maintaining an effective marketing and distributing presence in various countries;
- difficulty in adapting our energy saving solutions to the requirements in new markets and increased costs in modifying our business model and educating potential customers of the merits of our energy saving solutions;
- failure to obtain or maintain certifications for our lighting products in these markets;
- inability to obtain, maintain or enforce intellectual property rights (if applicable); and
- unanticipated changes in prevailing economic conditions and regulatory requirements and trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

The trade receivables of trading of lighting products amounted to approximately HK\$15.1 million, HK\$31.7 million and HK\$30.7 million as at 31 March 2013, 31 March 2014 and 30 September 2014 respectively. During the Track Record Period, we extended the settlement deadline beyond the credit periods granted to our Japan distributor and Australia distributor, which were in the course of developing new customers, with a view to assisting them in establishing their customer bases for our lighting products in their respective markets. In the event that our distributors are unable to settle their trade receivables with our Group in accordance to the extended settlement deadline in a timely manner, our cash flow and financial position may be materially and adversely affected.

We may not be able to develop and implement policies and strategies that will be effective in each location where we conduct business. A change in one or more of the factors described above may have a material adverse effect on our growth prospects, business, financial condition and results of operations.

**We may not be able to derive the desired benefits from our research and development efforts**

Our competitive strengths include, amongst others, our in-depth technical expertise and experience and strong research and development capabilities in providing integrated energy saving solutions. We place significant emphasis on research and development, in particular, to improve our lighting products and enhance the diversity of our energy saving solutions, which we believe is one of the crucial factors for our future growth and prospects. We cannot assure you that our future research and development projects will be successful, or that our newly developed lighting products will achieve commercial success.

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## RISK FACTORS

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Further, we cannot assure you that our existing or potential competitors will not develop energy saving solutions which are similar to or more cost-efficient than our existing solutions. Our research and development costs represented approximately 3.0%, 2.3% and 1.0% of our revenue for each of the two years ended 31 March 2014 and for the six months ended 30 September 2014, respectively. It is often difficult to project the time frame for developing new energy saving products and the duration of market demand for such products. There is a substantial risk that we may have to abandon a potential product that can no longer cater for our customers' needs, even after we have invested significant resources in the research and development of such product.

### **We may not be able to successfully protect our technical know-how or intellectual property rights, which may affect our financial condition and our competitive advantage**

We are the patented owner of the "Tube-in-Tube" Fluorescent Lamp technology in Hong Kong and 12 other countries, namely, United States, Canada, Singapore, Australia, New Zealand, South Korea, South Africa, Vietnam, Russian Federation, Indonesia, Philippines and India. Our "Tube-in-Tube" Fluorescent Lamps sold to our customers for each of the two years ended 31 March 2014 and for the six months ended 30 September 2014 accounted for approximately 97.3%, 95.5% and 91.1% respectively of our total quantity of lighting products sold under our trading business. If our Group fails to effectively monitor and protect these intellectual property rights, unauthorised parties may duplicate the products or technology of our Group, resulting in a loss of business to our Group. Also, we cannot assure you that our measures will be sufficient to prevent any misappropriation of our intellectual property rights, or that our competitors will not independently develop alternative technologies that are equivalent or superior to technologies based on our intellectual property rights. In addition, the patents owned by our Group have expiry dates. Our Group no longer has the monopoly over the patented technology in China and Germany. Third parties may be able to utilise the technology to manufacture lighting products similar to our "Tube-in-Tube" Fluorescent Lamps to compete with our Group. Once the patent of relevant regions expires, the "Tube-in-Tube" Fluorescent Lamp technology will be in the public domain of the relevant regions and the competitive advantage over our competitors in the relevant regions will diminish and our profitability may be adversely affected.

### **We rely on our OEMs to supply us our "Tube-in-Tube" Fluorescent Lamps and our high bay lamps**

We produce our "Tube-in-Tube" Fluorescent Lamps and our high bay lamps through independent OEMs and subcontract the whole production process to these OEMs. Any deficiency or disruption in the operation of these OEMs or dispute with them may result in our Group's failure to meet the orders of our customers or the schedule of our deployment for leasing services and the delivery of our lighting products for trading. Further, our engagement of these OEMs exposes us to the following risks, which may have a material adverse effect on our business, financial condition and results of operation:

- Our OEMs may fail to meet their production deadlines, maintain and satisfy our required quality standards, comply with our product specifications or may make unauthorised sales of our branded lighting products.
- Should our arrangements with any OEMs engaged by us be interrupted or terminated, we may not be able to locate alternative manufacturing sources on a timely basis or on commercially acceptable terms. Using new OEMs with which we have no established relationships could expose us to potentially unfavorable pricing, unsatisfactory quality or insufficient capacity allocation.
- Some of our OEMs also manufacture for other companies. We therefore compete with these companies for the production capacity of our OEMs. There is no assurance that our OEMs will allocate sufficient production capacity to our production requests.

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## RISK FACTORS

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### **Our business may be adversely affected if our overseas distributors or marketing agents fail to comply with our policies, relevant laws and regulations**

Up to the Latest Practicable Date, we have eight distributors in relation to nine countries and three marketing agents in Hong Kong. We sell our lighting products to overseas distributors for their subsequent sales and/or provision of energy saving solution services to their end-users or customers in the overseas markets and we are not responsible for the operation of their activities. Generally, the overseas distributors are responsible for the sales and/or provision of energy saving solution services and they are allowed to sell and/or provide energy saving solution services with our lighting products under our “Synergy” brand to end-users or customers. We rely on the overseas distributors to manage their activities and ensure the quality and services provided to end-users or customers. Therefore, our ability to ensure strict adherence to our policies is relatively limited. Further, we also appoint marketing agents as our representatives in promoting and marketing our energy saving solution services and our lighting products in Hong Kong. The failure of any overseas distributors or marketing agents to comply with our policies could lead to erosion of our “Synergy” brand and unfavourable public perception of the quality of our lighting products, which could have a material adverse effect on our business, operating results and financial condition.

For the two years ended 31 March 2014 and the six months ended 30 September 2014, revenue attributable to our trading of lighting products business accounted for approximately 38.4%, 52.7% and 61.2% of our total revenue, respectively.

There can be no assurance that our distributors or marketing agents will be able to comply with their obligations under the distribution or agency agreements. If we are unable to appoint replacement distributors or marketing agents in the relevant countries, our business, financial condition and results of operations may be materially and adversely affected.

Further, we cannot assure you that our overseas distributors or marketing agents have complied with all relevant laws and regulations that may potentially affect their business operations. We also cannot assure you that they have or will have sufficient resources to deal with unexpected changes in the regulatory, economic or business environment or other factors beyond their control. If any of our overseas distributors fails to comply with such other legal or regulatory requirements, or to respond to such changes, our business, financial condition and results of operation may be adversely affected.

### **Our Group may not be able to strictly enforce the non-competition undertaking provided by our overseas distributors or our customers for the CS Contracts**

It is the intention of our Group, our overseas distributors and our Consultancy Services customers to abide by the terms of the restrictive covenants set out in the respective distributorship agreements and the CS Contracts. However, if the restrictive covenants are to be enforced, there are many factors that would determine whether the same can be effectively and strictly enforced under applicable laws, including but not limited to the status of the parties, whether our Consultancy Services customers and the overseas distributors are still subsisting and not subject to winding up or liquidation, their financial standing to honour such undertakings, cross border enforcement of judgments, whether enforcement of such obligations conflict with applicable laws and public policy of the jurisdiction of incorporation of the counter-party and many other factors.



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## RISK FACTORS

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### **Our Consultancy Services provided to our customers were project-based and demand for our Consultancy Services may fluctuate**

We provide project-based Consultancy Services to our customers and such services were not provided regularly during the Track Record Period. We entered into four, two and one CS contract(s) for each of the two years ended 31 March 2014 and for the six months ended 30 September 2014 respectively. The revenue generated from our Consultancy Services amounted to approximately HK\$35.0 million, HK\$27.9 million and HK\$10.5 million for each of the two financial years ended 31 March 2014 and for the six months ended 30 September 2014 respectively.

We cannot guarantee that our customers will continue to engage us for our Consultancy Services in the future. In particular, we cannot assure that we will be able to maintain or improve our relationships with all of our customers and any of them may terminate their respective relationships with us. Further, as the demand for our Consultancy Services may fluctuate, we may not be able to assign sufficient manpower or other resources for the provision of our Consultancy Services and, as such, we may not be able to undertake the relevant project or fulfil the contractual obligations on time. As a result, our business operation and profitability may be materially and adversely affected.

### **Our customers may not renew their respective EMCs when the respective contracts expire**

Our leasing services generated revenue of approximately HK\$8.7 million, HK\$10.0 million and HK\$4.2 million, representing approximately 12.2%, 12.5% and 11.0% of our total revenue for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 respectively. During the Track Record Period, we had a total of 206 EMCs, out of which 61 contracts were renewal of existing contracts. We cannot assure you that our customers will renew their EMCs at similar or more favourable terms to our Group. If we fail to secure the renewal of such contracts, our financial conditions and profitability may be materially and adversely affected.

Pursuant to our standard EMC, we are required to reinstate the lighting products for our leasing services when the respective contract expires. Our Group will then incur extra costs on the reinstatement of lighting products when the EMCs expire and are not being renewed. The reinstatement cost mainly includes labour costs charged by our sub-contractors. During the Track Record Period, our Group had not made any provision for the reinstatement of the lighting products as our Directors considered that the reinstatement cost was insignificant. During the Track Record Period, 41 of our EMCs were terminated/expired without renewal and the aggregate amount of reinstatement cost incurred by us was approximately HK\$37,000.

### **The termination of, disruption to, or any adverse change to, our arrangements with our suppliers, consultant or sub-contractors may have a material adverse effect on our business, results of operations and financial condition**

We primarily rely on (i) arrangements with our OEMs to manufacture our “Tube-in-Tube” Fluorescent Lamps and our high bay lamps; and (ii) our deployment sub-contractors for fitting and installing our lighting products to our customers. Further, apart from SLL’s own personnel for research and development and quality control, we have engaged Fine Sky, one of our Shareholders who owned approximately 4.0% of our Company immediately after the Reorganisation but prior to completion of the Placing, to provide us with research and development of our “Tube-in-Tube” Fluorescent Lamps and quality control over such products (such arrangements are governed by a consultancy contract for a term up to 30 September 2017).

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## RISK FACTORS

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The termination of, disruption to, or any other adverse change to, our relationships with the OEMs, Fine Sky or our deployment sub-contractors with which we have agreements or arrangements could significantly affect our leasing services and trading of lighting products business, including but not limited to increase in costs, delay in deployment or delivery of our products, change of quality of products or other circumstances which may be outside the control of our Group. As a result, any of these could have a material adverse effect on our business, results of operations and financial condition.

### **We rely on our sub-contractors for providing services of deployment and installation of lighting products to our customers**

We outsource the deployment and installation work of our lighting products and ancillary construction works for our customers in Hong Kong to independent deployment sub-contractors. We also require our sub-contractors to implement relevant safety and environmental protection measures in the course of project execution.

Qualified sub-contractors may not always be readily available. We may face difficulty in completing our projects if we are unable to engage qualified and sufficient sub-contractors to carry out the installations with tight timeframe. If for any reason we have to pay our sub-contractor at a price higher than our initial estimation for a fixed-price contract, we may suffer losses as a result. For each of the two years ended 31 March 2014 and the six months ended 30 September 2014, our installation costs amounted to approximately HK\$1.0 million, HK\$0.3 million and HK\$0.1 million respectively. A substantial increase of their charges and fees may affect our costs and profitability.

If we fail to closely monitor the progress or quality of their work, our reputation and operation may be adversely affected. We may also be exposed to litigation and damage claims. If our sub-contractor is unable to fulfil the terms of the contract, we may need to engage another sub-contractor at a higher price and on a delayed basis, which may affect our profit margin. In addition, as we have limited control or influence on the resources allocation of the sub-contractors, we may not be flexible in determining the deployment schedule with our customers.

If our sub-contractors violate any rules, regulations or laws or their actions or omissions cause property damage or personal injuries, we may be exposed to prosecution by the relevant authorities and liable to claims with regard to personal injury and damage to properties. We cannot assure you that there will not be any violation of rules, regulations or laws by our sub-contractors or that our sub-contractors will not cause any property damage or personal injuries. The occurrence of such incidents will adversely affect our business, financial condition and results of operations.

### **We rely on our key management to conduct our Group's business and the inability to retain or attract senior management personnel will adversely affect our performance**

Our senior management team, particularly Mr. Mansfield Wong, our Chairman, Chief Executive Officer and an executive Director and Mr. Arthur Lam, an executive Director joined our Group since 2009. They are responsible for the day-to-day operations and the strategic development of our Group. Their continuous service are important to the future growth and success of our business. While each of them has entered into a service contract for up to three years commencing from the Listing Date, there is no assurance that we will be able to replace, retain, attract, and hire other qualified managerial personnel in the future. Should any of our senior management team and key personnel cease to serve our Group, there may be a disruption to our business which may adversely affect our performance.

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### **There is no assurance that our future plans will be successfully implemented**

Our business strategies include (i) continue to expand our energy saving solutions business in Hong Kong; (ii) continue to expand in the PRC markets through offering our Consultancy Services or entering into strategic partnerships; (iii) further expand in international markets through customisation of our lighting products and appointment of distributors; (iv) enhance our research and development capabilities; and (v) engage in marketing activities to enhance our brand image and recognition.

However, there are significant risks involved in our expansion plan, including whether we will be able to: (a) appoint new distributors or renew our distributorship agreements with favourable commercial terms; (b) hire, train and retain sufficient qualified staff; (c) efficiently operate and control our distributors network as we rapidly increase the number of distributors; (d) generate sufficient revenue to cover our indebtedness, costs or contingent liabilities associated with our expansion; (e) re-evaluate and revise our expansion plans as needed; and (f) research and develop customised products suitable to the new markets. Further, our research and development activities may not generate satisfactory results or products which can cater for our customers' needs.

Even if we can appoint suitable distributors for expansion into the overseas markets, our business operations may also be adversely affected if our distributors fail to perform their obligations under the distribution agreements. Please refer to details of the relevant risk related to the situation where our distributors fail to perform their obligations under the distribution agreements in this section of this prospectus.

### **Implementing our expansion plan may expose us to certain risks**

We are selling our lighting products to various overseas distributors in overseas markets. We expect that a significant portion of our revenue and profits will continue to be derived from the overseas markets for the foreseeable future and we intend to selectively penetrate a number of foreign markets and strategically develop our overseas operations. As a result, we are exposed to various risks associated with our business expansion in foreign countries and territories that include, but are not limited to:

- political risks, including risks due to civil unrest, acts of terrorism, acts of war, global or regional political and military tensions, strained or altered foreign relations, expropriation or nationalisation of our assets in foreign countries, sanctions imposed by certain countries against transactions with other countries in which we conduct business which may limit our ability to enter into certain overseas markets;
- economic, financial and market instability and credit risks, including, for example, those relating to the potential deterioration of the credit markets and other economic conditions in those foreign countries and territories;
- GDP and consumer spending pattern in the relevant overseas markets, which in turn can be affected by factors such as changes in economic and financial conditions, social and political stability and other factors which are beyond our control;
- changes in foreign government regulations or policies, including but not limited to, the possible enactment of strict environmental protection laws, withdrawal of government subsidies, tax privileges or other favourable government policies for energy saving industry and imposition of restrictions on the provision of energy saving services;
- lack of a well-developed or independent legal system in foreign countries, which may create difficulties for us to enforce our contractual rights; or

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## RISK FACTORS

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- dependence on foreign governments or entities controlled by such foreign governments for electricity, water, transportation and other utility or infrastructural needs; possible unfavourable labour conditions or employee strikes, or potential disputes with foreign partners, customers, sub-contractors, suppliers or local residents or communities; or the existence of anti-Chinese sentiment and related events, demonstrations or policies such as implementation of protectionism against Chinese owned companies.

In particular, a substantial number of end-users of our lighting products or our energy saving solutions are consumers from the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including but not limited to government involvement, rate of inflation and taxation. The PRC government plays a significant role in regulating economic development.

Any of the above factors could lead to, among others, project disruptions and losses of personnel and assets, which could materially and adversely affect our overseas expansion, overall financial condition and profitability.

### **We do not have control on our associate companies, SCM (BVI) and its subsidiaries, and their future business operation may affect our business and increase our financial burdens**

We do not have control over our associate companies, SCM (BVI), which is owned by us as to approximately 27.2% only, and its wholly-owned subsidiaries. If their future business operation and expansion requires additional funding from its shareholders, it may increase our financial burdens or we may face dilution in our shareholdings. For each of the two years ended 31 March 2014 and the six months ended 30 September 2014, SCM (BVI) was operating at a loss. There is no assurance that SCM (BVI) will turn profitable in the future, which would then affect our net profit and increase our financial burdens.

Also, we have business relationships with SCM (HK), one of our associate companies, by way of cross-promotion of our respective products to our respective existing customers and we also provide certain administration and management services to them. If their business operation expands in a rate significantly greater than our resources and capacities could handle, it may affect our business operations and increase our financial burdens.

### **We may face possible claims over our products which may be defective**

Our lighting products may contain latent defects or flaws. Any flaws or defects discovered in our lighting products after delivery could result in loss of revenue or delay in revenue recognition, damage to our reputation and our relationship with customers, loss of customers and increased service and warranty cost, any of which could adversely affect our business, operating results and financial condition. If our lighting products fail to perform as expected, or prove to be defective, we may be subject to claims for compensation and may incur significant legal costs regardless of the outcome of any claim of alleged defect.

Although our OEMs and suppliers provide product warranties for products they produced for our Group, we may not be able to seek sufficient compensation at all from our OEMs and suppliers for various reasons.

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## RISK FACTORS

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### **Our products have risks of environmental contamination**

Some of our lighting products contain small amount of mercury, which is a poisonous substance and harmful to the environment if released accidentally. While we have adopted a systematic waste disposal procedure, there may be circumstances where the poisonous substances are released from our broken products accidentally to the environment. In such circumstances, we may be in breach of the Waste Disposal Ordinance or other applicable laws and regulations and our Group may face possible claims in relation to environmental contamination, which may have a material and adverse impact on our brand, reputation, business operation and financial conditions.

### **Changes in consumer preferences and habits in green technologies**

The continued growth and success of our Group depends on the popularity of our Group's products and our Group's ability to continue to satisfy customers in terms of their preferences and habits. Our Group must be able to react effectively to any changes in their preferences and habits by modifying our existing energy saving solutions and our lighting products and/or developing new energy saving solutions or new lighting products. In addition, our Group may need to acquire new technologies or develop new procedures to improve and enhance our product quality to satisfy the preferences and habits of customers.

Our Group may not be able to anticipate and react quickly and effectively to changes in the preferences, habits and requirements of customers. If we are unable to modify our existing energy saving solutions, develop new lighting products, acquire new technologies or develop new procedures to or improve and enhance our product quality to cater to such changes, there may be a decrease in demand for our energy saving solutions and/or our lighting products. Any sustained decrease in such demand would have a material and adverse impact on our business.

### **Our insurance coverage may be inadequate to protect us from certain types of losses**

We may become subject to liabilities against which we have not insured adequately or at all or liabilities which cannot be insured against. Should any significant property damage or personal injury occur to our facilities or employees due to accidents, natural disasters, or similar events, our business may be adversely impacted, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other forms of economic loss. We do not have certain types of insurance such as environmental damage or product liability insurance. Our insurance policies also may not continue to be available at economically acceptable premiums, or certain types of insurance may not be obtained at a reasonable cost, or at all. For example, insurance covering losses from acts of war, terrorism, or natural catastrophes is either unavailable or cost prohibitive. Any losses that we may incur for which it is uninsured may adversely affect our business, financial condition and results of operations and there is no assurance that our insurance coverage would be sufficient to cover all our potential loss.

We may face liability claims arising from any defective products in the future. We have not maintained any insurance coverage against product liability and any product liability claim brought against us may have an adverse effect on our business reputation or operation.

### **We may be subject to tax penalty**

One of our subsidiaries, SLL, had not fully complied with the IRO with respect to filing of Return for Profits Tax for the year of assessment 2009/2010 and failure to notify the IRD the chargeability of tax for SLL for the year of assessment 2010/2011. The maximum amount of tax penalty for late filing and failure to notify chargeability to tax that could be imposed by the IRD is approximately HK\$6.6 million (representing approximately 28.0% of the profit for our Group for the year ended 31 March 2014) with reference to the 2010/2011 tax assessment. Details of our non-compliance of IRO are set out under the section headed "Business – Regulatory compliance" in this prospectus.

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Mr. Mansfield Wong, Mr. Arthur Lam and Abundance have agreed to jointly and severally indemnify and keep our Group indemnified against any liability of any or all members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and all costs, interest, fines, penalties, charges, liabilities and expenses incidental or relating to any of the aforesaid liability.

If we are required to pay the said tax penalty, our financial conditions and results of operations may be adversely affected.

### **We cannot assure you that we will pay dividends in the future**

Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors, that our Directors deem relevant. For further details of our dividend policy, please refer to the section headed “Financial information – Dividend and dividend policy” in this prospectus. Potential investors should note that dividend payments in the past should not be regarded as an indication of future dividend policy. There can be no assurance that we will declare dividends in the future.

### **We face risks associated with our cooperative relationship with business partners**

In the course of our business, we have in the past formed, and will in the future continue to form, cooperative relationships with other parties. Our business partners may have economic or business interests or goals that are inconsistent with ours or be unable or unwilling to fulfil their obligations under the relevant cooperative arrangements. A dispute with our business partners may cause the loss of business opportunities, disruption to or termination of the relevant project or business venture or lead to potential litigation. As a result, our business, results of operations and financial condition may be materially and adversely affected.

## **RISKS RELATING TO THE INDUSTRY**

### **Our business is affected by fluctuations in electricity tariff**

We are an integrated energy saving solutions provider, providing energy saving services for lighting solutions, ranging from advising on lighting solution, product customisation, on-site inspection and measurement, product sourcing, project deployment to after sales service. Our profitability may be correlated to changes in electricity tariff charged to our customers in terms of electricity expenses. Change in electricity tariff is affected by numerous factors. An increase in electricity tariff may lead to increase in demand of our energy saving solutions, our Consultancy Services and/or our energy saving lighting products. Conversely, decrease in electricity tariff may lead to decrease in demand of our energy saving solutions, our Consultancy Services and/or our energy saving lighting products.

### **Our business is affected by changes in the economic, legal, political and social conditions in Hong Kong and other jurisdiction we conduct our business**

Our assets, business and operations are primarily based in Hong Kong and our Group has derived majority of our revenue in Hong Kong during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are affected by government policies, as well as economic, social, political and legal developments in Hong Kong. As an open economy, Hong Kong's domestic economy is also affected by many other unpredictable factors such as economic, social, legal and political development in the PRC, fluctuations in global interest rates, and changes in local and international economic and political situations. There is no assurance that any changes of the existing government policies, economic, social, political conditions and the business environment in Hong Kong, the PRC and other overseas markets where we provide Consultancy Services or sell our lighting products to in the future will have a positive effect on our business operations.

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## RISK FACTORS

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### **Our Group's business is subject to existing laws and regulations and changes in laws and regulations may reduce our profitability**

To our best knowledge, information and belief, apart from those ordinances and regulations which are generally applicable to the general conduct of business activities or sale of goods and services in Hong Kong, our Group's business are subject to the following ordinances and regulations:

- (i) Electricity Ordinance and Electrical Products (Safety) Regulation;
- (ii) Waste Disposal Ordinance and Waste Disposal Regulation;
- (iii) Patents Ordinance;
- (iv) TMO; and
- (v) various standard regulations and safety requirements published by the International Electrotechnical Commission and administered by the EMSD.

Our Group is responsible for the proper disposal of and waste management of the used lighting products from our customers which contain small amount of poisonous mercury in accordance with the Waste Disposal (General) Regulation as we have been registered as a chemical waste producer under the said regulation.

Failure to comply with relevant laws, rules and regulations in Hong Kong which apply to the activities we conduct in Hong Kong or any new laws, rules and regulations to be passed in future that regulate the aforesaid activities we conduct in Hong Kong which we may be subject to could result in fines, restrictions on our business operations. There may also be uncertainty regarding the interpretation and application of newly promulgated and enforced laws and regulations. In addition, applicable laws and regulation may change from time to time. Some of these changes may result in additional costs or restrictions on our activities. Future legislative or regulatory changes, including deregulation, could have a material adverse effect on our business, results of operations and financial condition.

### **Counterfeit products may adversely affect our image, business and profitability**

Counterfeiting of our products might be found although we believe that the unique features of our products had prevented any large scale counterfeiting of our products and we have not experienced any counterfeiting of our products which would materially and detrimentally affect our business operation during the Track Record Period. We would actively take legal actions and proceedings against such counterfeiting activities and protect the intellectual property rights over the unique features of our products. Such actions may have different degrees of success or not at all. Should counterfeiting of our products be a continuing phenomenon, our image, business and profitability will be adversely affected.

### **Any failure by us to respond to the competitive environment in the energy saving industry in a timely manner may adversely affect our business, operating results and financial condition**

Our financial performance is dependent upon the continued growth of consumer demand for energy saving products and energy saving management services. There can be no assurance that growth of the industry will continue at existing rates or at all. The energy saving industry is relatively new and has not been well defined and as a result we may face potential competitors which traditionally may not be directly related to our energy saving lighting products markets due to continuous change in technological advancement, evolving industry standards and changing customer needs.

Competitors may introduce new products or product enhancements in advance of us that may render our existing products less competitive or even totally out-dated. Any failure by us to take timely measures to respond to competing products, technological developments and changing industry standards could adversely affect our business, operating results and financial condition.

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## RISK FACTORS

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### **Global or regional economic conditions could adversely affect our industry**

External factors such as financial crisis, economic recessions or political and social turmoil in those parts of the world where we have business relations could adversely affect our business, operating results, financial conditions, and prospects in ways which we cannot predict. The demand for our energy saving services and our lighting products may decrease if the level of consumption in the markets where our lighting products are sold is affected by such changing market conditions and hence our business, operating results and financial conditions may be adversely affected.

### **RISKS RELATING TO THE SHARES AND THE PLACING**

#### **There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile**

Prior to the Placing, no public market for our Shares existed. We cannot assure you that a liquid public market for our Shares will develop or be sustained after the Placing. In addition, the Placing Price of our Shares is expected to be fixed by the Price Determination Agreement between the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholders) and may not be indicative of the market price of our Shares following completion of the Placing. If an active public market for our Shares does not develop after the Placing, the market price and liquidity of our Shares may be materially and adversely affected.

#### **Investors may experience difficulties in enforcing their shareholder rights as our Company is incorporated in the Cayman Islands, and Cayman Islands laws for protection of minority shareholders may be different from those under the laws of Hong Kong and other jurisdictions**

Our corporate affairs are governed by, amongst other things, the Memorandum and Articles of Association, the Companies Law and common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be different compared to the laws of Hong Kong or other jurisdictions. For example, the Companies Law does not contain an express provision which is equivalent to sections 722 to 726 of the Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. For further details, please see the section headed "Summary of the constitution of our Company and Cayman Islands company law" in Appendix III to this prospectus.

#### **Investors will experience dilution in the pro forma net tangible book value per Share because the Placing Price is higher than our net tangible book value per Share**

As the Placing Price is higher than the net tangible book value per Share of our Shares immediately prior to the Placing, purchasers of our Shares in the Placing will experience an immediate dilution in pro forma consolidated net tangible book value of about HK\$0.14 per Share (assuming a Placing Price of HK\$0.50 per Share) or about HK\$0.17 per Share (assuming a Placing Price of HK\$0.70 per Share). If we issue additional Shares in the future, purchasers of our Shares in the Placing may experience further dilution in their ownership percentage.

#### **Investors may experience dilution if we issue additional Shares in the future**

We may need to raise additional funds in the future to finance expansion of or 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 of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares.



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### **The trading volume and market price of our Shares following the Listing may be volatile**

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of the presence of competitors, announcements of new products, strategic alliances or acquisitions, industrial or environmental accidents, changes in our senior management personnel, litigation regarding our products could cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

### **Risk relating to the financial results of our Group for the year ending 31 March 2015 due to the non-recurring expenses**

Due to the non-recurring expenses in connection with our Listing, there would be a negative impact on the financial results for the year ending 31 March 2015. Based on the Placing Price of HK\$0.60 per Share (being the mid-point of our indicative Placing Price range), the estimated expenses for our Listing is approximately HK\$39.8 million, of which approximately HK\$15.9 million will be charged to our profit and loss account, and approximately HK\$7.5 million will be charged to share premium account of our Group for the year ending 31 March 2015. As such, profit for the year ending 31 March 2015 will be reduced by the listing expenses of approximately HK\$15.9 million. Our Directors would like to emphasise that such listing expenses is a current estimate for reference only and the final amount to be recognised to the profit and loss account of our Group for the year ending 31 March 2015 is subject to adjustments based on audit and the then changes in variables and assumptions.

### **Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press articles or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus**

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Placing. There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to completion of the Placing, press and media coverage regarding us and the Placing. You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding the Placing. We do not accept any responsibility for the accuracy or completeness of any information reported by the press, other media and/or research analyst reports, nor the fairness or appropriateness of the aforesaid materials regarding us, our business, our industry and the Placing. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We disclaim any potential liabilities arising out of any inconsistency between such information or publication and the information contained in this prospectus. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether they should invest in the Placing.

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## RISK FACTORS

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### RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

#### There are risks associated with forward-looking statements

This prospectus contains certain forward-looking statements and information relating to our Group that are based on the beliefs of our Group's management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "anticipate", "believe", "consider", "could", "expect", "going forward", "intend", "may", "should", "plan", "seek", "will", "would", and similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Group's management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the other risk factors described in this prospectus. The risks and uncertainties which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- business prospects of our Group;
- future debt levels and capital needs of our Group;
- strategies, plans, objectives and goals of our Group;
- general economic conditions;
- changes in regulatory and operating conditions of the markets in which our Group operate;
- our Group's ability to reduce costs;
- capital market developments;
- the actions and developments of our Group's competitors;
- certain statements in the section headed "Financial information" in this prospectus with respect to trends in prices, volumes, operations, overall market trends, risk management and exchange rates; and
- other statements in this prospectus which are not historical facts.

Investors should note that one or more of these risks or uncertainties may materialise, or one or more of the underlying assumptions may prove incorrect.

#### Certain industry statistics contained in this prospectus are derived from various publicly available government or official sources and may not be accurate or reliable

This prospectus contains information and statistics, including but not limited to information and statistics relating to the provision of energy saving industry. Whilst our Directors and the Sponsor have taken reasonable care in reproducing such information in this prospectus, none of the information or statistics derived from the official government publications has been independently verified by our Group or any of our Group's affiliates or advisers, or by the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any other party involved in the Placing, or their respective affiliates or advisers and no representation is given as to its accuracy. Our Company cannot ensure the accuracy of such information and statistics and such information and statistics may not be consistent with other information publicly available or available from other sources. However, we have no reason to believe that such information and data is false or misleading or that any material fact has been omitted that would render such information and data false or misleading. Prospective investors should not place undue reliance on any of such information and statistics contained in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

The Placing Shares are offered solely on the basis of the information contained and the representations made in this prospectus. So far as the Placing is concerned, no person is authorised 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 us, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Placing.

Copies of this prospectus required by the GEM Listing Rules and the Companies Ordinance are available, for information purposes only, at the respective offices of the Lead Manager and the Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Friday, 13 March 2015 to Tuesday, 17 March 2015 (both dates inclusive).

### FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing which is sponsored by the Sponsor. The Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information about the Underwriters and the underwriting arrangement, please refer to the section headed "Underwriting" in this prospectus.

### DETERMINATION OF THE PLACING PRICE

The Placing Shares are being offered at the Placing Price which will be determined in Hong Kong dollars by our Company (for itself and on behalf of the Selling Shareholders) and the Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date. If, for whatever reason, our Company (for itself and on behalf of the Selling Shareholders) and the Lead Manager (for itself and on behalf of the Underwriters) are unable to reach agreement on the Placing Price by the Price Determination Date, the Placing will not proceed and will lapse. For full information relating to the determination of the Placing Price, please refer to the section headed "Structure of the Placing" in this prospectus.

### SELLING RESTRICTIONS

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

No invitation may be made directly or indirectly by or on behalf of our Company to the public in the Cayman Islands to subscribe for or acquire any of the Placing Shares.

Each person acquiring the Placing Shares will be required to confirm and is deemed by his acquisition of the Placing Shares to have confirmed that he is aware of the restrictions on offers of the Placing Shares described in this prospectus and that he is not acquiring, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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

### APPLICATION FOR LISTING ON GEM

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and any new Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme as described in this prospectus.

Under Section 44B(1) of the Companies (WUMP) 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 is 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.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing of the Shares on GEM 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 public.

No part of the Shares or loan capital of our Company is listed or dealt in on any other stock exchange. As at the Latest Practicable Date, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Placing Shares are recommended to consult their professional advisers if they are in any 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 Lead Manager, the Underwriters and their respective directors, supervisors, agents or advisers or any other person involved in the Placing accepts responsibility for any tax effects on, or liabilities of, holders of the Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

### HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered on our Company’s branch register of members to be maintained in Hong Kong by our branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Our Company’s principal register of members will be maintained by our principal share registrar and transfer office, Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Dealings in the Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty but will not be subject to the Cayman Islands stamp duty.

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of the Shares will be paid to the Shareholders listed on our Company’s Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares 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 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 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.

### DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 24 March 2015. Shares will be traded in board lots of 4,000 Shares each.

The stock code for the Shares is 8105.

Our Company will not issue any temporary documents of title.

Dealings in the Shares on GEM will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected two trading days following the transaction date. 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. Only certificates for Shares registered on the branch share register of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

### STRUCTURE OF THE PLACING

Details of the structure of the Placing, including its conditions, are set out under the section headed "Structure of the Placing" in this prospectus.

### ROUNDING

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

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## DIRECTORS

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Name	Address	Nationality
<b>Executive Directors</b>		
Mr. Wong Man Fai Mansfield	Apartment 61, 6/F Raceview Mansion 46 Stubbs Road, Happy Valley Hong Kong	Chinese
Mr. Lam Arthur	Flat C, 17/F Tower 2, Serenade 11 Tai Hang Road Tai Hang Hong Kong	Chinese
<b>Non-executive Director</b>		
Mr. Lam Chung Ho Alastair	House 12 Bellevue Place 93 Repulse Bay Road Hong Kong	Chinese
<b>Independent non-executive Directors</b>		
Mr. Chung Koon Yan	Flat A, 12/F Comfort Heights 63 Tin Hau Temple Road Hong Kong	Chinese
Mr. Cheung Yick Hung Jackie	Flat C, 38/F Tower 8 The Hermitage 1 Hoi Wang Road Tai Kok Tsui Kowloon	Chinese
Dr. Wong Chi Ying Anthony	Room B, 6/F Block 3 Flora Garden 7 Chun Fai Road Tai Hang Hong Kong	Chinese

Further information about our Directors and other senior management members are set out in the section headed "Directors, senior management and staff" in this prospectus.

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## PARTIES INVOLVED IN THE PLACING

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**Sponsor and Bookrunner**

CLC International Limited  
Suites 4703A-4, 47/F, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Lead Manager**

CLC Securities Limited  
Suites 4703, 47/F, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Underwriters**

CLC Securities Limited  
Suites 4703, 47/F, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

Hooray Securities Limited  
Unit B, 19/F, Guangdong Investment Tower  
148 Connaught Road Central  
Hong Kong

**Legal advisers to our Company**

*As to Hong Kong law (except matters relating to intellectual property laws):*

lu, Lai & Li  
Solicitors & Notaries  
Rooms 2201, 2201A & 2202, 22nd Floor  
Tower 1, Admiralty Centre  
No. 18 Harcourt Road  
Hong Kong

*As to Hong Kong law (regarding intellectual property laws):*

Wilkinson & Grist  
Solicitors & Notaries  
6th Floor, Prince's Building  
Chater Road, Central  
Hong Kong

*As to Hong Kong law:*

Ms. Ebony Ling  
Barrister-at-law in Hong Kong  
38th Floor Gloucester Tower  
The Landmark  
Central  
Hong Kong

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## PARTIES INVOLVED IN THE PLACING

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*As to PRC law:*

GFE Law Office  
18th Floor, Guangdong Holdings Tower  
No. 555 Dongfeng East Road  
Guangzhou  
PRC

*As to Cayman Islands law:*

Conyers Dill & Pearman (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Legal advisers to the Sponsor and  
the Underwriters**

Chiu & Partners  
40th Floor, Jardine House  
1 Connaught Place  
Hong Kong

**Auditor and reporting accountant**

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



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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarters and principal place of business</b>	Room 404B, 4/F, Block B, Seaview Estate Nos. 4-6 Watson Road North Point Hong Kong
<b>Company website</b>	<b><u><a href="http://www.synergy-group.com">www.synergy-group.com</a></u></b> <i>(The contents of this website do not form part of this prospectus)</i>
<b>Compliance officer</b>	Mr. Wong Man Fai Mansfield
<b>Company secretary</b>	Mr. Tong Man Chun ( <i>HKICPA</i> )
<b>Authorised representatives (for the purposes of the Companies Ordinance and GEM Listing Rules)</b>	Mr. Wong Man Fai Mansfield Apartment 61, 6/F Raceview Mansion 46 Stubbs Road, Happy Valley Hong Kong  Mr. Tong Man Chun Flat RC, 69/F Block 10 La Splendeur Tseung Kwan O New Territories Hong Kong
<b>Audit committee</b>	Mr. Chung Koon Yan ( <i>Chairman</i> ) Mr. Cheung Yick Hung Jackie Dr. Wong Chi Ying Anthony
<b>Remuneration committee</b>	Mr. Cheung Yick Hung Jackie ( <i>Chairman</i> ) Mr. Chung Koon Yan Dr. Wong Chi Ying Anthony
<b>Nomination committee</b>	Dr. Wong Chi Ying Anthony ( <i>Chairman</i> ) Mr. Cheung Yick Hung Jackie Mr. Chung Koon Yan

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## CORPORATE INFORMATION

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<b>Compliance adviser</b>	CLC International Limited Suites 4703A-04, 47/F, Two Exchange Square 8 Connaught Place Central Hong Kong
<b>Principal share registrar and transfer office</b>	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
<b>Principal bankers</b>	The Hong Kong and Shanghai Banking Corporation Limited Hay Wah Building Branch G/F, Hay Wah Building 71-85 Hennessy Road Wanchai Hong Kong

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## INDUSTRY OVERVIEW

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*This section contains information derived from various sources. 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. The information has not been independently verified by us, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters or any of their respective directors, affiliates or advisers, nor any other parties involved in the Placing and no representation is given as to its accuracy or correctness. The information may not be consistent with information from other sources.*

*Certain information and statistics are extracted from an industry report prepared by Ipsos. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, the same has not been independently verified, and there is no representation as to the accuracy of such statements or information. We believe, after taking reasonable care, that there have been no material adverse changes in the market information since 19 December 2014, being the date of the report issued by Ipsos, which may qualify, contradict or have an impact on the information in this section. The information and statistics may not be consistent with other information and statistics compiled within or outside Hong Kong, the PRC, Japan or Australia.*

### REPORT COMMISSIONED FROM IPSOS

We have commissioned Ipsos, an independent market research and consulting company, to conduct an analysis of, and to report on, the energy saving and management solution industry for lighting projects both globally and in Australia, China, Hong Kong and Japan for the period from 2009 to 2018. The report prepared by Ipsos is independent from our influence. Ipsos received a total commission of HK\$488,000 for the research and preparation of the Ipsos Report. The payment of such amount was not conditional on our successful listing or on the results of the Ipsos Report.

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

The Ipsos Report includes information on the energy saving and management solution industry for lighting projects such as, among others, global market demand and supply, market demand and supply in Hong Kong, the PRC, Japan or Australia, and the competitive analysis of the industry, which have been quoted in this prospectus. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desk research; (ii) client consultation; and (iii) primary research by interviewing key stakeholders and industry experts, key players and competitors. According to Ipsos, this methodology guaranteed a full circle/multi-level information sourcing process, where information gathered was able to be cross-referenced to ensure accuracy. The intelligence gathered by Ipsos was analysed, assessed and validated using their in-house analysis models and techniques.

Our Directors confirm that after taking reasonable care, as at the date of this prospectus, there has been no material adverse change in the market information since the date of the Ipsos Report.

The analysis in the Ipsos Report is based on the assumptions that there is no external shock such as natural disasters or the wide outbreak of diseases to affect the demand and supply of electricity, electricity tariffs, and energy saving and management related industries including energy efficiency management, contracting and consulting service industry, lighting related energy saving projects and energy savings investment industry.

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## INDUSTRY OVERVIEW

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The parameters considered in market sizing and forecast model in the Ipsos Report include (i) Hong Kong electricity tariffs from 2009 to 2018; (ii) commercial building stock 2009 to 2015; (iii) Hong Kong Energy End-use Data 2009 to 2012; (iv) the Building Energy Code and the BEEO; and (v) Hong Kong Climate Change Initiatives and Energy Targets.

### OVERVIEW OF THE GLOBAL MACRO-ECONOMIC ENVIRONMENT

#### **Electricity consumption globally, in Australia, China, Hong Kong and Japan and its future development**

In 2012, electricity consumption accounted for around 18% (compared to 17% in 2009) of the global energy consumption, followed by oil consumption. Lighting made up almost 19% of the global electricity consumption, making it an important component of any energy saving effort. Together with growing global energy consumption, electricity consumption has gone up by 15% in the past 5 years which was mainly driven by emerging economies. The International Energy Agency predicts in its World Energy Outlook 2013 that by 2035 demand for electricity will be almost 70% higher than today, driven by rapid growth in population and income in developing countries and the resulting increase in the number of electrical devices used in homes and commercial buildings, as well as by the growth in electrically driven industrial processes.

**Australia** – Australia's energy consumption has grown only minimally by 2.3% over the past five years. In the future it is expected that Australia's electricity consumption will continue to stagnate or shrink, as the push towards greater energy efficiency continues.

**China** – In 2013 China consumed almost a fourth of all electricity produced globally. That is an increase of around 44% since 2009. This growth is a direct result of economic growth and increasing domestic wealth.

**Hong Kong** – Hong Kong has seen a small reduction in electricity usage in the last five years (-2.2%) which is mainly driven by residential users. Whilst commercial users reduced their consumption by 0.4% between 2012 and 2013, residential users reduced their consumption by 3%. Electricity prices in Hong Kong are still comparatively low and it is therefore expected that electricity tariffs will be gradually raised in the near future.

**Japan** – Japan's electricity consumption has fluctuated greatly in the last five years. In 2011 the Fukushima catastrophe reduced the country's nuclear power production by almost 43%. To deal with the supply crisis the government enforced strict restrictions on electricity usage, demanding a reduction of consumption by 15%. Since 2011 electricity consumption has further reduced, which is also the result of rising energy prices. The price for electricity has increased by almost 20% for residential users and by up to 28% for commercial users. Energy efficiency has become an important decision criteria and for example the market share of LED light bulbs has grown from 3% in 2011 to 30% in 2013.

#### **Analysis of current lighting technology**

Overall the scales are shifting towards more energy efficient lighting, transforming the existing lighting infrastructure away from classic T12, T8 and T5 fluorescent lighting to solid state lighting or new Tube-in-Tube ("TIT") products. In this context it is important to note that consultation is necessary when choosing the right lighting technology for a commercial application since their suitability greatly depends on the context. For example new TIT technology continues to have a number of advantages over LEDs for the retrofit market with existing fluorescent tube fittings, such as lower purchase price and better suitability for the existing fitting, making it less likely that LEDs is a strong choice for this setting.

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## INDUSTRY OVERVIEW

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### Lighting products in the global market

Currently fluorescent lighting makes up the bulk of the market for lighting products with 50% to 55% market share. This is likely to also decrease in the next years as solid state lighting takes up more market share. Currently solid state lighting contributes only an estimated 12% to 15% to the market, but this is set to 60% to 65% in 2020, becoming the dominant lighting medium in the market. It is clear that driven by increasing efficiency and energy saving light sources will greatly change in the next five years opening up a wide area of opportunities for companies specialising in retrofitting existing lighting or designing new lighting.

### OVERVIEW OF ENERGY SAVING AND MANAGEMENT SOLUTION INDUSTRY FOR LIGHTING PROJECTS IN GLOBAL MARKET

#### Background & development of energy management/performance contracting

ESCOs (Energy Service Companies) have been operational on a large scale since the late 1980s or early 1990s with the beginning of the energy savings business dating back to the energy crisis of the late 1970s, when entrepreneurs worked on ways to combat the rising energy costs. However, with lower energy prices, it became challenging for ESCOs to recover the investment within the desired contract time as payback from savings shrunk.

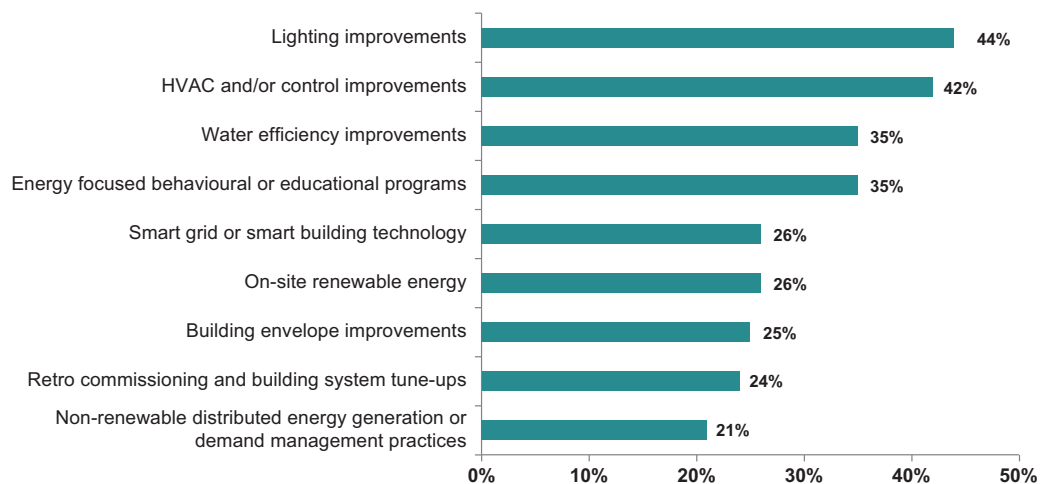
This difficult start led to an evolution of the ESCO business model, terms, and agreements, changing the character of the industry with the market focus shifting towards guaranteed energy performance. Energy performance contracting (EPC) gained popularity as the “guaranteed savings” model became established. As EPC gained traction as a way to facilitate financing for energy efficiency projects, it strengthened the market in Europe and kick started similar developments in Asia.

The ESCO industry has now spread to different parts of the world but the market development in terms of maturity, government policies/regulations, end user awareness and opportunities is still very heterogeneous. North America and the European Union are more developed ESCO markets with the U.S. being the largest ESCO market in the world. In Asia ESCO operations are growing fast, and the countries with ESCO activities now include China, Japan, Thailand, Singapore, Taiwan, India, Indonesia, Vietnam, Malaysia, the Republic of Korea, and Philippines. The ESCO market is relatively new in Australia and New Zealand.

#### Electricity saving and management solution projects for lighting projects

According to the “2013 Energy Efficiency Indicator Survey” published by Johnson Controls in 2013, lighting and HVAC are the top two energy efficiency measures being implemented globally.

#### Relative priority for investment of energy efficiency measures over the next 12 months



Source: 2013 Energy Efficiency Indicator Survey: Global summary, page 22, Johnson Controls

## INDUSTRY OVERVIEW

This is also in line with the “Energy Efficiency Trends Annual Report 2012/2013” published by EEVS. Lighting solutions have been the most commissioned technologies in energy-efficiency projects for developed market. Approximately 25% of the projects commissioned were either high efficiency lighting or controls.

### Energy services

ESCOs offer a wide range of services during the whole project cycle. In comparison to other industry player, the services offered by ESCOs are more comprehensive than any other type of market players. While some tasks may be performed in-house, ESCOs also work with other suppliers (such as contractors, equipment manufacturers, governments, financial institutions, consulting engineers, and energy suppliers) defining and implementing the project.

### Comparisons of type of services offered by type of industry players

Type of services	ESCOs	Manufacturers	Contractors	Design & Build Firms	Consultants
Energy analysis and audits	✓		✓	✓	✓
Engineering and design	✓		✓	✓	✓
Construction and installation	✓	✓	✓	✓	
Measurement and verification	✓				✓
Commissioning, operation & maintenance	✓	✓	✓	✓	
Financing	✓	✓			
Integrator	✓	✓			

Source: Ipsos Analysis

The following recent case study has been compiled to illustrate the typical nature the energy-efficient lighting projects undertaking by ESCOs:

### Case Study: Stikeman Elliott, Toronto, Canada

<b>Year</b>	2011
<b>Technology deployed</b>	Luminaires and fittings <ul style="list-style-type: none"> <li>• Retrofitting 3,100 light fixtures from T12 to T5 tubes and electronic ballasts lighting control</li> </ul>
<b>Result</b>	<ul style="list-style-type: none"> <li>• Energy usage was reduced by approximately a half, saving 443,943 kWh/year</li> <li>• Annual cost savings of 36,000 Canadian dollars</li> </ul>
<b>Payback time</b>	3.6 years

Source: case study by Race to Reduce Canada

### ESCO market supply and demand

The pressing need to improve energy efficiency for a sustainable energy supply is creating a market for energy efficiency products and services worldwide. Growing government commitment and support (e.g. policies and regulations) to foster energy efficiency and management, increasing interest of public and private organisations in energy management, increasing awareness and expansion of the ESCO market worldwide and huge economic potential for energy efficiency have created a new demand and promoted supply of energy efficiency services.

## INDUSTRY OVERVIEW

The table below shows the market size estimates, market potential and ESCO industry status in selected countries namely Japan, Australia, China and Hong Kong.

### ESCO Market Assessment (extract): Japan, Australia, China and Hong Kong

Country	Number of ESCOs (2013)	Market Size Estimates (2012/2013)	Market Growth Trend	Market Potential	Key Sectors – Project Implementation /Typical projects
Australia	12	AUD72.6 million (FY2013-2014) – EPCs contract value	Growing	n/a	Mainly public buildings projects (higher education facilities and hospitals in particular). The main technologies/application areas: energy efficient lighting solutions (e.g. LED, efficient T8 fittings, lighting control devices, etc.), HVAC solutions. Co-generation and tri-generation in the commercial and industrial sector
China	1472	US\$8.1 billion (2012)	Growing	US\$14.5 billion	Industry (mainly state owned enterprises) and building projects dominates. The main technologies/application areas: heating and lighting systems, building automation and control systems, waste heat recovery, etc.
Japan	20-30	JPY29.9 billion (2011)	Stagnation	> US\$20 billion (2011 estimates)	Primarily in commercial sector. The main technologies/application areas: heating, lighting, electric equipment, air conditioning, building management systems and energy demand controllers
Hong Kong	20-30	HK\$982 million	Growing	HK\$3.9 billion to HK\$ 6.5 billion (2014 estimates)	Mainly privately owned commercial building, and public buildings. Typical projects include HVAC and lighting retrofit projects

*Source:* ESCO Market Report for Non-European Countries 2013, JRC Science and Policy Reports 2014, European Commission (note – market size, market potential & no. of ESCOs -page 218, Aus market size -page 102); ESCO Market Report for European Union Countries 2013, JRC Science and Policy Reports 2014, European Commission (note – market size, market potential & no. of ESCOs -page 254, UK-page 172); and Ipsos research and analysis for the Hong Kong market

The demand for ESCOs in Hong Kong is mainly driven by (i) the need to reduce carbon emission; (ii) the growing energy costs; (iii) the government building energy efficiency codes and legislation (including the BEEO and the Building Energy Codes); and (iv) property operations cost management by building owners.

## INDUSTRY OVERVIEW

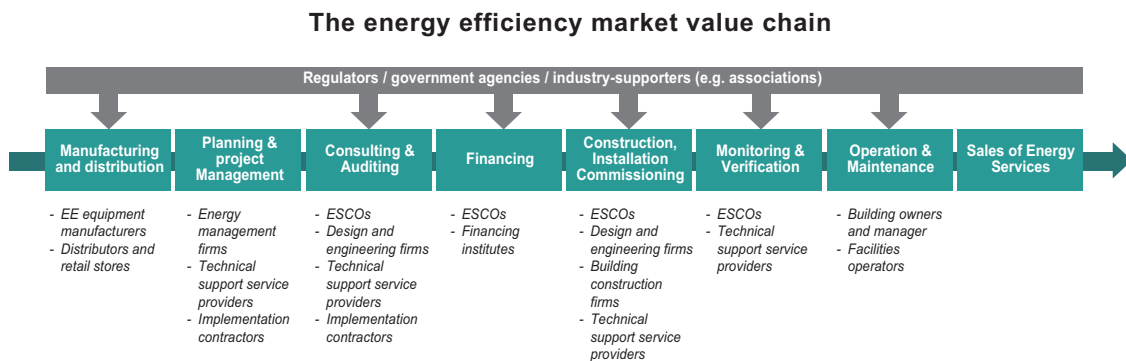
According to the Ipsos Report, it is estimated that Hong Kong’s ESCO industry has about 20 to 30 ESCOs serving the market and, based on a representative number of energy saving projects and the average electricity consumption for commercial buildings in Hong Kong, the market size of ESCOs in Hong Kong is estimated to be at HK\$982 million in 2013. The services offered by ESCOs include (i) regarding hardware, building insulations, HVAC, lift and escalator, lighting, electrical circuits and power controls, renewable energy; (ii) regarding software, automation systems, information technology building management systems (centralised monitoring); and (iii) regarding consultancy services, energy efficiency management design and planning, energy auditing, energy monitoring, energy performance contracting. Lighting replacement to more efficient fluorescent lighting, to LED lighting, and HVAC energy improvements are the top three most common works done by ESCOs in Hong Kong.

In respect of the energy management contracting solutions market for lighting projects in Hong Kong, in addition to the market drivers set out above, the move towards the use of more efficient and longer lasting LEDs and T5 compact fluorescent lighting products has also driven the sales and adoption of more efficient and longer lasting LEDs and T5 compact fluorescent lighting products in both households and commercial buildings in Hong Kong. This move was supported by a voluntary charter issued by the Hong Kong government for lighting vendors, targeting those selling light bulbs, to phase out incandescent light bulbs in Hong Kong. On the supply side of this market, a majority of the players include non-ESCO players participating in different stages of the service streams commonly provided as turn-key solutions by ESCOs in Hong Kong.

Further details regarding the demand and supply of ESCOs in Hong Kong (particularly in relation to lighting projects) are set out below in the paragraphs headed “Market overview of energy saving and management solution industry for lighting projects in Australia, China, Hong Kong and Japan” and “Competitive analysis of energy saving and management industry for lighting projects in Hong Kong” in this section.

### The value chain of the energy saving and management solution industry of lighting projects

ESCOs can provide a vertically integrated energy solution, with a supply chain spanning from energy-efficient equipment development and production, retail distribution, energy-efficient solution deployment (e.g. audit, project design, and installation), evaluation monitoring & verification, to operation/maintenance.



Source: Adapted from Energy Efficiency Service Sector: Workforce Size and Expectations for Growth, page 2, September 2010, Ernest Orlando Lawrence Berkeley National Laboratory



## Energy service contract models

ESCOs implement energy-efficiency projects on a turn-key basis. Among various models, there are 2 common models employed by the energy efficiency solutions and management industry as described below:

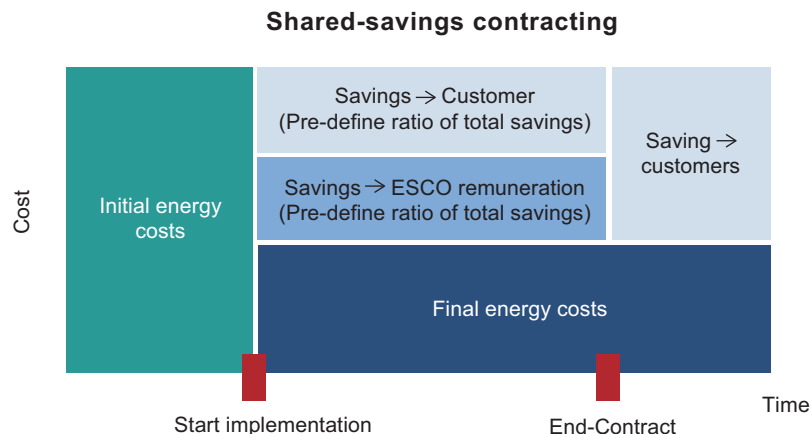
### 1. Energy Supply Contracting (ESC)

ESC is a business model that the ESCO ensures the delivery of useful energy. The ESCO manages all the investment to deliver the energy to customers and may assume ownership of the energy infrastructure. The agreement is typically run for a long period of time (10-15 years) and is suitable for renewable energy and heat recovery projects.

### 2. Energy Performance Contracting (EPC)

ESCOs mostly operate through this EPC where they provide a guarantee of minimum energy savings level (compared to the energy baseline or the actual energy usage before the project commencement) and will be remunerated based on the amount of energy savings. "Measurement and Verification" (M&V) is carried out periodically to help quantifying the savings delivered by the project against the baseline energy consumption. There are two popular variations of this contract models.

#### 2.1 Shared-savings Contracting



Source: Adapted from European Commission information

In this model, the ESCO is responsible for financing or securing funds with third-party financing entities for the upfront investments. The ESCO receives a percentage of the total savings from the building owner and part of this amount is used to make repayments for the capital costs.

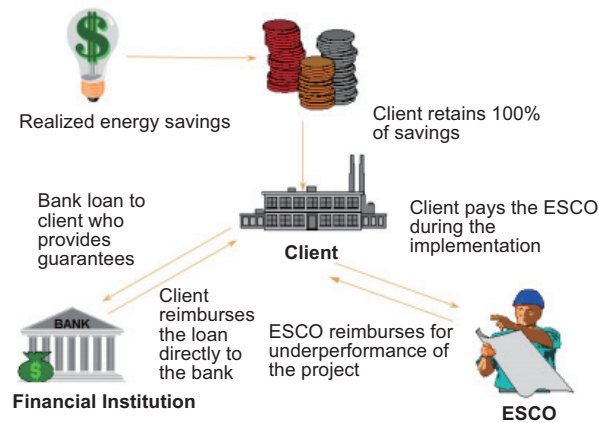
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## INDUSTRY OVERVIEW

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### 2.2 Guaranteed-savings contracting

#### Guaranteed-savings financial model



Source: IFC Energy Service Company Market Analysis, Final Report, Revised, Page 3, June 2011, International Finance Corporation

In this model, the energy end-users are responsible for financing the upfront cost and making repayments, while the ESCO assumes no responsibility in this aspect. The ESCO guarantees a minimum level of energy (or financial) savings and takes over the entire performance and design risk.

#### Future trends & developments of ESCO and for the lighting sector

The global market for commercial and public building energy efficiency retrofits is expected to grow significantly from 2014 to 2023. Growing adoption of regulatory/policy measures by different regions along with voluntary energy certification programs (e.g. green building certification program, etc.) are likely to be the main drivers for growth in this market. High potential lighting related energy efficient technologies such as LED lighting and digital control systems are likely to revolutionise lighting services in all sectors. LED lamps are projected to significantly surpass all other lighting types in future. However, it is very likely that retrofitting will be an especially lucrative application for fluorescent TIT products.

### MARKET OVERVIEW OF ENERGY SAVING AND MANAGEMENT SOLUTION INDUSTRY FOR LIGHTING PROJECTS IN AUSTRALIA, CHINA, HONG KONG AND JAPAN

#### Demand, needs and supply in selected regions

**Australia** – In Australia demand for EPCs is still dominated by the public sector with demand by the private sector being relatively limited. Uptake of EPCs is limited in Australia due to limited familiarity with EPCs and ESCOs in general, procurement issues, and financial/funding restrictions, etc.. There are at least 12 to 15 EPC contract providers in Australia. With the ESCO market being relatively new, the experience of the companies involved is sometimes quite limited. The potential customers lack sufficient understanding of opportunities of ESCO investments which impedes ESCO business development in the private sector.

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## INDUSTRY OVERVIEW

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**China** – The ESCO industry in China is still in an early stage of development and is growing rapidly. Many new start-ups are entering the market with a registered capital cost of below CNY 10 million resulting in an abundance of smaller-scale ESCOs in the market. In 2012, there were only 18 ESCOs whose revenues exceeded CNY 500 million, while the market size was estimated to be CNY 51.3 billion (US\$8.1 billion). Small ESCOs often lack the capability to perform energy audits, as well as design and manage projects, which prevents them from offering services on a broader scale. In addition, these SMEs may often find financing a bottleneck for their growth. In 2011, bank loans totaled 21% of all ESCOs EPC project financing. Despite the impressive increase in numbers of operating ESCOs the overall scale is relatively small when compared to the great demand for energy services. Based on Ipsos Business Consulting’s interview with industry experts, the demand for lighting-related EPC project has tripled over the past three to five years.

**Hong Kong** – Electricity consumption accounts for more than 65% of the carbon emissions produced in Hong Kong. Buildings are the largest electricity consumers accounting for about 90% of total electricity consumption. Lighting also consumes a significant portion of electrical energy, with illumination accounting for approximately 15% of total electrical energy consumed domestically. Lighting is one of the key sectors with respect to reducing energy consumption.

The growing energy costs also stimulate the need for energy efficiency. Energy costs in Hong Kong are rising due to a depleting fuel supply from Hainan, China, and are gradually being replaced with more sustainable energy sources for power generation, and fuels imported from central Asia.

The Hong Kong Government’s 2009 Building Energy Efficiency Funding Scheme has allocated subsidies for approximately one out of every eight buildings in Hong Kong. Pursuant to the BEEO, all commercial buildings in Hong Kong will be audited by registered energy assessors every 10 years to ensure energy efficiency targets are met. Up to 2014, the BEEO audited over 1000 buildings in Hong Kong. With the BEEO introduced, it is estimated that over 30,000 out of the 40,000 buildings in Hong Kong will need to undergo major refitting if they do not pass the government’s building energy audits, as well as energy & carbon auditing in the next 10 years to comply with the Building Energy Code.

Lighting efficiency to change to fluorescent bulbs, or LED lighting, has been the most frequent type of retrofitting work carried out for buildings in Hong Kong. Lighting retrofitting is one of the four major retrofitting categories set by the government’s BEEO; others include HVAC, escalator and lift, and electrical installation.

Hong Kong’s ESCO industry includes about 20-30 (estimated) ESCOs serving the market. The product and services available in the ESCO market include insulation, integrated building energy management systems, HVAC, lighting, lift and escalator, IT solutions, renewable energy course, energy monitoring, and energy auditing.

**Japan** – In terms of number of ESCO project, Japan has seen fluctuating demand since 2003. Most of the energy savings generated between 1998 and 2011 by ESCO projects come from projects implemented under EPCs. In terms of the overall market size, the guaranteed-savings contract model was adopted first. Since ESCOs started to expand, shared-savings contract also started to be more popular as ESCOs can offer financing as a value-added service. As a result shared-savings contracts now account for the the majority of ESCO contracts in terms of value. Nevertheless, when looking in terms of numbers of projects, the guaranteed-saving contract models remains the most popular model.

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Based on a JAESCO survey in 2010, replacing the air-conditioning system was the most popular energy efficiency measure, followed by the lighting system. In specific to lighting equipment, inverter lighting and HF inverter were the most popular measures, followed by high-efficiency induction lamps and compact fluorescents.

### Target customers in selected regions

**Australia** – The efficient government buildings programs target or have targeted hospitals, offices, courts, water infrastructure, education institutes such as TAFEs (Technical And Further Education), prisons, arts and supporting facilities, etc.. According to the 2013 ESCO Market Report for Non-European Countries, typical ESCO projects in Australia are public buildings and in particular – hospitals and higher education facilities while ESCO activities are limited for the industrial and the tertiary sector.

**China** – According to EMCA statistics in 2010-2011, 66% of the customers opted for a shared-savings contract model and 20% of customers opted for guaranteed-savings contract model. In specific for lighting projects:

- 1) Shared-savings contract models are mostly used by
  - ✓ Industries with a high level of electricity consumption/high usage of light
  - ✓ Street lighting projects initiated by local governments in third and fourth tier cities
  
- 2) Guaranteed-savings contract models are mostly adopted by
  - ✓ Smart lighting projects initiated by local governments in first and second tier cities
  - ✓ Lighting retrofit projects in commercial buildings

**Hong Kong** – ESCOs in Hong Kong primarily target commercial building owners. ESCOs target existing buildings with EPC retrofit offers, particularly single-owner tenant buildings – office buildings, shopping malls, hotels, hospitals and institutions. The average potential customers for retrofitting works would be sizable property owners who are nearing their interior-renovation cycles (5-10 years), major renovations cycles (10-15 years), owners looking for building upgrades, owners looking to reduce operational costs, or owners looking to brand their facilities green.

**Japan** – Customers group in Japan can be classified into industrial and building sector (including both commercial and public buildings). The building sector has been a major contributor to the ESCO ESP market. Department stores/supermarkets, office buildings, and hospitals are the key customer groups when procuring ESCO projects. The public sector is expected to take the lead regarding ESCO industry development in Japan as it still presents an available growth opportunity.

## INDUSTRY OVERVIEW

### ESCO lighting project pricing

**Australia** – The cost for lighting related projects varies based on the scale and type of project including type of solution/product used. Examples of project cost estimates for different projects are collected in below table.

#### Examples of lighting project prices in Australia

Project	Project solutions (excluding other project/s related services such as design, testing, post implementation review, etc.)	Overall project cost (including grant or funding if any) – AUD
Narre Warren South P-12 College (Melbourne based school) energy efficient lighting using on-bill finance through the CEFC	Installing new lighting in gymnasium and classrooms through a retrofit-replacing classroom lights with energy efficient T5 lamps and using LED lights in the gymnasium.	\$135,000 retrofit
Lighting upgrade project of three car parks at two Sydney hospitals	lighting upgrade with more efficient lighting	\$520,000

*Source:* Lighting makes school savings, Clean Energy Finance Corporation(CEFC), <<http://www.cleanenergyfinancecorp.com.au/our-investments/case-studies/lighting-makes-school-savings.aspx>>; Hospitals save on car park lighting-case study from Clean Energy Finance Corporation, <<http://www.cleanenergyfinancecorp.com.au/our-investments/case-studies/hospitals-save-on-car-park-lighting.aspx>>

**China** – For lighting-related projects, the investment amount varies and depends on the scale of the project (e.g. type of solutions used and numbers of fittings and luminaires). There is also a correlation between project investment and the type of building in different customer segments.

#### Estimation of investment required by size of projects

Project Size	Required Investment (CNY)
Small	500,000–2,000,000
Small-to-medium	2,000,000–6,000,000
Medium-to-large	6,000,000–10,000,000
Large	>10,000,0000

*Source:* Ipsos Survey and Analysis

**Hong Kong** – The price of lighting project varies depending on the type of the project as shown in the table below.

#### Examples of lighting project prices in Hong Kong

Year	Project	Company	Lighting Project Type	Project Size (HKD)
2012	Helping Hand – Siu Sai Wan	Government	Institutional	\$81,210
2012	The Spastics Association of Hong Kong	Government	Government	\$368,120
2013	The Hong Kong International Airport	Siemens – Osram Prosperity Company Ltd., Government	Government	Save 15,000,000 kwh/year (2009 – 2014)

*Source:* Ipsos Analysis

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## INDUSTRY OVERVIEW

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### Future Trends & Developments in selected regions

**Australia** – The ESCO market in Australia has yet to form a wider commercial basis. Its development also greatly depends on future steps taken by policy makers. Under the Environmental Upgrade Agreement (EUA) AUD 80 million (including AUD 30 million from CEFC) are available for retrofitting (including energy efficient technologies such as lighting) commercial buildings. EUA enables clients (building owners) to tie and secure the loan/finance to the property and make repayments through charging the local council on the land. The Australian lighting market is expected to largely follow the trends in other advanced western nations where the market value will grow in the near future.

**China** – As China is phasing out incandescent lamps since 2012, it is expected that more energy-efficient lighting technologies will gradually become more mainstream. This expected demand will also incentivise manufacturers to push these products especially for the retrofit market. In addition, the awareness of green lighting has increased amongst consumers. This awareness has been also fostered by continuous efforts from the government.

Starting in March 2013, large commercial banks have been reluctant to extend credits to many small-scale ESCOs. Without the financial backing from large commercial domestic banks and the sluggish economy, the industry is expected to gradually move on from its current high growth phase. This increases the risk burden and adds liability to the business making it harder for the smaller players to survive.

**Hong Kong** – The rising fuel costs are expected to gradually increase the electricity tariff and this situation is likely to drive building owners to building energy improvement projects.

The BEEO, which has come into full operation since 2012, is likely to generate more opportunities for future ESCO business. A study conducted by the Electrical and Mechanical Services Department in 2013 anticipates the BEEO scheme to generate 2.8 billion kwh of energy savings for the first 10 years of its implementation. ESCOs are expected to benefit from the BEEO due to commercial buildings in Hong Kong facing 10 year mandatory energy auditing cycles, with the first group of energy audits being carried out in 2012.

The BEEO will also help the lighting retrofit market to expand, as lighting retrofit EPCs have the potential to save about 50%-70% of electricity consumption, translating to energy and maintenance cost savings incentives for building owners. The commercial sector's increasing adoption of lighting upgrades to reduce facilities cost is also fuelled by the voluntary phasing out of incandescent light bulbs in Hong Kong, and the longer life-cycles of LEDs and T5 light tubes. Thus with the 2011 voluntary phasing out of incandescent light bulbs, rising electricity tariffs, and the BEEO energy compliance measures, the demand for energy consultations and retrofit lighting projects is expected to increase in the next 4-5 years.

The property management sector of Hong Kong is a prominent example of the growing energy saving trend, as the top five largest property management companies in Hong Kong have set overall energy reduction targets at 15-20% of their 2008 electricity consumption levels by 2020, and have progressively managed to reduce overall electricity consumption by 1.7%-2.4% (Greenpeace).

**Japan** – The penetration of LED luminaires is steadily increasing and has now reached US\$5.2 billion. This currently makes it the largest Asian market. In addition, the consequent energy shortage following the Fukushima disaster in 2011 created awareness and demand for energy-saving equipment including luminaires. In the most optimistic scenario, Japan expects LED to replace all less energy-efficient lamps by 2050.

Further, the government sees its role as creating awareness of energy efficiency and to resuscitating the ESCO industry. The promotion of ESCOs has been one of the topics in the latest Strategic Energy Plan.

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## INDUSTRY OVERVIEW

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### COMPETITIVE ANALYSIS OF ENERGY SAVING AND MANAGEMENT INDUSTRY FOR LIGHTING PROJECTS IN HONG KONG

#### Supply

A majority of the supply side players in the energy management contracting for lighting market in Hong Kong include non-ESCO players participating in different stages of the service streams commonly provided as turn-key solutions by ESCOs in Hong Kong. These suppliers include (1) lighting suppliers and manufacturers, (2) engineering companies, and (3) energy consultancy and auditors. Non-ESCO players in the energy saving industry accounts for approximately 40% of the energy saving market for lighting.

#### Demand

The demand for lighting projects in Hong Kong is mainly driven by government building energy efficiency legislation and codes, and from property operations cost management by building owners. The relevant codes and ordinances include the Building Energy Codes & BEEO for commercial buildings in Hong Kong enacted in 2012. All commercial buildings in Hong Kong of over 500 sq.m. face a 10 year cycle energy auditing by the Hong Kong Government to meet carbon emission and energy saving targets for the place's 2030 carbon emissions goals.

Most building owners also opt for changing lighting in buildings to LED or T5 fluorescent lights. From an installation perspective, lighting retrofits are much less complex than a HVAC project, and can on average save up to 50-70% of electricity usage by lighting. Under a shared-savings arrangement, often the payback period for lighting projects are under two years, and much shorter than HVAC projects. The significant financial savings from improving lightings in buildings, lower capital cost for installation and short payback period time for lighting projects drives the demand in lighting projects by energy management companies from building owners.

#### Solutions, services and target customer features in Hong Kong

With a small industrial and manufacturing sector, up to 90% of total electricity consumption is consumed by all buildings annually in Hong Kong. Hong Kong ESCO EPC for lighting focuses on building retrofitting, particularly existing commercial buildings. The energy management contracting solution for lighting in Hong Kong targets commercial buildings, large commercial building renovation projects, institutional buildings, and large energy consumers such as property management companies as the building ownership arrangement (owner-occupied or single-tenant buildings) streamlines the contracting services and management over energy performance contracting in a lighting retrofit project and energy management in a building.

Hong Kong lighting projects by energy management companies often offer shared-savings and guaranteed savings financial models to cover the initial cost of the projects. Under the contract, ESCO's EPC services would offer a full-line turn-key service to commercial building owners in Hong Kong, in which lighting supplies, installation, financing and energy monitoring will be offered during the contracting period.

ESCOs often cover a range of hardware, software and consultancy services in Hong Kong for commercial building lighting retrofits. On the consultancy side, EPCs include professional energy auditing, measurement and verification, energy design and planning, energy monitoring systems, and energy performance contracting. On the equipment side, EPCs can include building insulation installation, building energy management systems, HVAC upgrading, lighting upgrading, lift and escalator energy improvements, and renewable alternative fuel source installations.

## INDUSTRY OVERVIEW

### The nature of competition and key competitors

A wide range of companies is active in energy saving, such as equipment suppliers, engineering contracting companies, energy auditing and consulting companies, specialised or full service local ESCOs, utility-based ESCOs, and international energy companies. The majority of players in Hong Kong's energy saving market only provide limited services, such as energy auditing, or consulting services. These companies often do not offer installation and EPC services for retrofitting projects.

For Hong Kong's local market EPC projects would typically be financed either by ESCOs or financial institutions. For ESCOs that require financing under the Small & Medium Business Credit Guarantee Fund this can be a competitive disadvantage, especially when compared to providers with greater financial means such as self-financed ESCOs.

Lighting energy saving projects in Hong Kong are carried out by ESCOs and non-ESCO companies. There are around 15 ESCOs, and several non-ESCO players participating in the lighting EPC market in Hong Kong. Altogether, these companies generate a total of HK\$590 million for the lighting EPC market in 2013 for Hong Kong. Among the 15 ESCOs engaged in lighting EPC projects, three of these ESCOs specialise in lighting and either produce or supply LED and T5 lighting products. These three ESCOs are: Powertech (Hong Kong) Ltd., Tomi Fuji EMC Ltd and our Group. The utility company China Light and Power is an example of a non ESCO active in the market and a major player in the energy saving market.

Hong Kong's ESCO market for lighting projects is still developing and estimated to have reached around 10% of its maximum potential based on 2013 figures. The market is growing with the industry developing rapidly from an early adopter customer base to a wider spread customer base.

### Ranking of the top five energy management contract providers for lighting projects in Hong Kong in 2013 (by revenue)

Rank	Name of company	Headquarter Location	Revenue in 2013 (HK\$ million) (Note)	Share of Total Industry Revenue (Note)	Major Service Scope
1	CLP Engineering Ltd.	Hong Kong	105	17.8%	HVAC, Energy Management Systems, Lighting, Power Industry Consultancy, E&M Engineering
2	Powertech (Hong Kong) Ltd.	Hong Kong	80	13.6%	Lighting, Industrial Power Motor Controller
3	Telex Environmental and Energy Management Limited	Hong Kong	39	6.6%	E&M Design and Consultancy, Environmental Management and Consultancy, Energy Management Service
4	Our Group	Hong Kong	34	5.8%	Lighting, HVAC
5	Tomi Fuji EMC Ltd	Hong Kong	19	3.2%	Lighting, HVAC, Solar Energy
	Others		313	53.0%	
	Total		590	100%	

Source: Ipsos Analysis

Note: The estimation is based on, among others, the number of companies, the size of companies, the sales and trading revenue figures of the company, correlations between project size and type of EPC services and revenue, official public data released by the Hong Kong Government, annual reports of listed companies, and interviews with key players.

### Market share of the Company in the energy saving and management solution industry in Hong Kong, and in particular energy management contracting solution market for lighting projects in Hong Kong in 2013

CLP Engineering Ltd. (a subsidiary company under CLP Holdings Ltd. Hong Kong), Powertech (Hong Kong) Ltd., Telex Environmental and Energy Management Limited, our Group and Tomi Fuji EMC Ltd are the leading EPC providers for lighting projects in 2013.



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## INDUSTRY OVERVIEW

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The top five ESCOs providing EPC services in lighting projects in Hong Kong accounts for approximately 47% of the total revenue of the energy saving and management solutions industry. As of 2013, our Group held approximately 3.5% market share of the energy saving and management solutions industry, and approximately 5.8% market share of the energy saving and management solutions for lighting industry.

### **Description of the energy saving and management solution industry in Hong Kong, focusing on energy management contracting solution market for lighting projects**

Energy consumption from buildings in Hong Kong has increased by about 20% in per capita terms in the past decade but increased economic development has not necessarily been accompanied with increased energy efficiency and mandatory compliance to Building Energy Code alone is expected to reduce Hong Kong's annual emissions by 0.5%.

### **Market drivers**

Energy performance contracting is a financing technique that raises capital for investments in energy efficiency projects based on future savings. This is a core concept of the ESCO business model and key driver of the market, wherein the contractors take the risk of not achieving targeted savings. The market growth is further supported by:

- Provision of turn-key services (e.g. all in one services such as energy audit, retrofit and financing) by contractors
- Higher saving potential when carrying out a projects through an ESCOs rather than if done by the client
- Payout of improvements in energy performance
- No or limited requirement for client-side expertise in this sector

From the supply side, the market is driven by favorable government policies – e.g. Building Energy Code, BEEO, and previous subsidy programs for energy efficiency retrofitting projects.

The market growth also profits from pull factors such as the demand for energy performance contracting growing due to:

- “Pay-by-savings” service model including the project finance arrangements and/or the upfront capital payment by ESCOs. This payment method based on cost savings encourages market growth even in the absence of government financing schemes
- Decreasing operating and maintenance costs along with improved energy performance
- Provision of green building rating schemes certification such as Leadership in Energy and Environmental Design (LEED)
- Increasing property value (rental and asset value) by enhancing reputation through transformation of the existing buildings into green buildings

### **Entry barriers**

Despite of a huge potential for applying EPC, there are still market barriers:

- The ESCO industry in Hong Kong is relatively new and at an early stage, several ESCO industry stakeholders (contractors, lawyers, banks, building owners) are not aware of this industry's workings including financing methods and EPCs
- Performance contracts are unique documents, based on fairly complex transactions, including contract performance and the methodology for measuring savings and calculating payments. ESCOs and potential customers often find it difficult to decide on contract terms and understand the duties, obligations and risk allocation

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- EPCs require a different approach from conventional contract and tendering procedures. For example, the particular specifications often cannot be specified but have to remain open to different saving strategies and the contract period will depend on the financial investment strategy. The current procurement processes and financial controls, such as the accounting system in government projects, still hinder the adoption of EPCs
- The measurement and verification (M&V) methods must be agreed before entering into an EPC. Reasonable changes or adjustments should also be allowed since important factors may change over years. The complexity of estimating building energy performance and the lack of commonly accepted standards for measuring energy savings have impeded the application of EPCs
- Electricity tariffs in Hong Kong have been lagging behind consumer prices and wages over the past decade. Prices are half that of Singapore, one third of Sydney and approximately 80% of Japan's electricity prices

### Opportunities

- Beginning de-regulation policy in Hong Kong, power companies have to enhance their service and competitiveness
- Development of building energy codes in Hong Kong will significantly impact the work for energy efficiency improvement
- Increased economic development has not been accompanied with increased energy efficiency
- Hong Kong Productivity Council is building strategic alliances with local power companies to promote EPC
- There is increasing awareness and growing concern for energy efficiency
- EPC projects arranged similar to conventional retrofitting projects are becoming more common. Building owners paid in full once the construction and installation works were completed, with the added benefit of a guarantee on energy savings and annual reporting on the actual performance of newly installed systems

### Threats

- Consumers worry about the complexities, lack of familiarity with EPC
- Long payback periods hinder implementation of new measures in buildings such as change of operation schedule, change for system set-points, alteration of premises
- ESCOs may lack capital and technological know-how
- Building owners are unfamiliar with the setup of EPC projects compared with traditional "fee for service" or "design-bid-build" projects
- Building owners have no competent in-house engineering team, difficulties to understand the impact on actual energy savings when the current conditions significantly deviate from baseline conditions
- Penetration rate of EPC projects is still low and those projects have mainly been implemented by the private sector
- There may be mismatch of expectation between building owners and ESCOs
- Lack of an approach in promoting building energy efficiency
- ESCOs are exposed to potential risk of repayment, as when actual energy savings fall below the guaranteed values, ESCOs have to compensate the losses

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## INDUSTRY OVERVIEW

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### **Qualitative and quantitative discussion of the competitive advantage of our Group, compared to the core competitors**

Our Group offers performance based contracts, among other services, which can be highly beneficial for the end customer making it a competitive advantage in the market. Performance based contracts are more attractive because:

- Reduced risk – the contractor guarantees and takes on the risk of not achieving savings
- Turn-key services – the performance contractor provides all required services (for example, to do all necessary energy audits and retrofit)
- The end customer needs less internal expertise
- Project financing can be ‘off balance sheet’ and doesn’t affect debt load
- State-of-the-art products and services can be used
- Savings can be much higher than if the business or institution carries out the work itself
- Additional improvements to environmental performance can be paid out of the savings

Our Group covers the top two energy efficiency measures in Hong Kong and globally, by offering EPC services in lighting and HVAC. Base on a study conducted by The Hong Kong Polytechnic University in 2014, the top 3 building energy retrofit works, and potential retrofit works in descending order are (1) lighting replacement to more efficient fluorescent lamps, (2) improvement of existing air-conditioning AC systems (HVAC), and (3) lighting replacement to LED lamps, showing that our Group’s offer is in line with current market demand.

So far none of the key ESCO competitors for lighting projects in Hong Kong are publicly listed (as of 2014 year-end), making it an advantage to be publicly listed and having access to the stock market for refinancing.

Currently none of the key ESCO competitors, with production capacity has comparable patented technology in the Tube-in-Tube segment, which combined with our OEM and ODM capabilities constitutes another competitive advantage.

A solid track record is important for demonstrating capability, capacity and trust to potential customers. Our Group has been able to grow at a rapid pace, and being an ESCO which has one of the longest track records in Hong Kong in the ESCO sector makes this a distinguishing factor when comparing with competitors.

### **Our Group’s offering compared to the market offer**

Providing the full range of services from product, assessment, installation and financing, is an important criterion in the market as not being able to offer a service can drive potential customers to other providers. Most competitors do not offer the full range of in-house services and provide turn-key services with experts at every stage.

Our Group offers an integrated service including consultation, own patented products, research and development capability, certified carbon audit managers, a deployment/installation team and licensed maintenance team which can provide technical support to our clients. It covers the whole range of services throughout the energy saving company value chain, which sets it apart from a large number of competitors in this sector.

Our Group began operations in 2009 and can be considered to be a pioneer in the ESCO market. Clients can be either end users or companies further up the value chain such as engineering, procurement, or design companies (EPC companies). These clients are offered a wide range of products, mainly focusing on indoor lighting. This offer is especially attractive for light intensive applications e.g. retail, office buildings due to the high potential savings but clients come from a wide range of industries and applications.

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## INDUSTRY OVERVIEW

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Our Group offers a superior product in fluorescent T5 tubes, Tube in Tube (TIT), for lighting retrofitting projects. “Tube-in-Tube” Fluorescent Lamp is a retrofit product, meaning its installation does not require replacement of the existing lighting fixtures. Hence, upfront investment will be reduced for lower material and labour costs. Further, as the performance of TIT technology is benchmarking with that of LED but involves lower cost, it enables a shorter payback period for our Group (around 12 to 15 months according to our Company during the Track Record Period, compared with a general payback period of under 2 years for a shared-savings arrangements in Hong Kong, and compared to a case study in Canada with payback period of 3.6 years, as set out in the Ipsos Report) and a more flexible offer to share savings to our EPC customers.

Our Group is able to offer easy adoption and sustainable solutions for retrofit works with TIT, whereas most energy saving lighting solutions would normally require replacement and/or modifications of lighting fixtures that creates material wastages, and hence are relatively more time consuming with higher costs. This is especially advantageous compared with competitors that offer only LED or standard T5 products. This ability to efficiently retrofit could be especially useful with the BEEO demanding mandatory energy audits that encourage major retrofitting works.

The current overlap of lighting technologies highlights the importance of consulting, making the combination of consulting and unique product a standout criteria. Almost all ESCOs offer both fluorescent and solid state lighting, but very few have their own unique branded and patented products on offer. In addition very few companies can look back on the same amount of experience which makes our Group stands out from its competitors.

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## REGULATIONS

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The relevant laws and regulations applicable to the operations and the business of our Group are set out below:

### HONG KONG LAWS AND REGULATIONS

#### Electricity Ordinance and Electrical Products (Safety) Regulation

No person shall supply an electrical product in Hong Kong for which no certificate of safety compliance has been issued as required by regulations in respect of electrical product safety or the product does not comply with the applicable safety requirements or that is prohibited under the Electricity Ordinance.

For all electrical products, to ensure they will be used safely in applications for which it is made, it is required that the following requirements shall be printed on the product in English, Chinese or international standard symbols, or if it is not possible, on an accompanying notice, the recognition and observance of which will ensure that an electrical product will be used safely in application for which it is made:

- (a) rated voltage and frequency;
- (b) rated input in terms of watts, kilowatts, amperes or milliamperes;
- (c) model or type reference number; and
- (d) manufacturer's name or trade mark.

Moreover, all electrical products, together with their component parts, shall be made in such a way as to ensure that it can be safely and properly assembled and connected.

Under the Electrical Products (Safety) Regulation, electrical products supplied in Hong Kong are classified into "prescribed products" and "non-prescribed products". Prescribed products include certain types of plugs, adaptors, lampholders, flexible cords, extension units and unvented thermal storage type electric water heaters. All other electrical products are classified as "non-prescribed products".

Generally speaking, the non-prescribed products that conform to the safety standards listed in the "Guidance Notes for the Electrical Products (Safety) Regulation (2007 edition)" (the "**Guidance Notes**") or equivalent standards are deemed to satisfy the safety requirements of the Electrical Products (Safety) Regulation, subject to the compliance with the aforesaid general requirements. Under the Guidance Notes, safety standards for lighting related products (under the classification of "non-prescribed products") include IEC 61347-2-3 (for A.C. supplied electronic ballasts of tubular fluorescent lamps), IEC 60598-2-5 (for luminaires – floodlights), and IEC 61347-2-1 (particular requirements for starting device (other than glow starters), etc. These safety standards are standards applicable to our Group's "Tube-in-Tube" Fluorescent Lamps.

A certificate of safety compliance shall include the following information in English or Chinese language:

- (a) a reference number;
- (b) the name and model or type reference of the electrical product;
- (c) the name and address of the manufacturer;
- (d) the name and address of the person who requested testing of the electrical product;
- (e) a standard to which the electrical product was tested and found in conformity;
- (f) the name, address, authorised signature and, if applicable, company seal of the recognised certification body or recognised manufacturer, as the case may be; and
- (g) the date of certification.

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## REGULATIONS

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For a “non-prescribed product”, the following may be accepted as a certificate of safety compliance:

- (a) a certificate or test report issued by certain “recognised certification bodies” (as defined in the Electrical Products (Safety) Regulation);
- (b) a declaration of conformity issued by a “recognised manufacturer” (as defined in the Electrical Products (Safety) Regulation);
- (c) a certificate or test report which, in the opinion of the Director of Electrical and Mechanical Services, demonstrates that an electrical product complies with the applicable safety requirements, and
- (d) a declaration of conformity issued by a manufacturer of the product where the information contained in the declaration of conformity is the same as the information required for a certificate of safety compliance other than requirements (a) and (d) in the preceding paragraph.

### **Waste Disposal Ordinance and Waste Disposal Regulation**

Any substance or thing being effluent and which is or contains any substance or chemical specified in Schedule 1 of the Waste Disposal Regulation (which includes, among other matters, mercury and its compounds) shall be regarded as chemical waste if such substance or chemical occurs in such form, quantity or concentration so as to cause pollution or constitute a danger to health or risk of pollution to the environment.

Under the Waste Disposal Ordinance and the Waste Disposal Regulation, a person shall not produce or cause to be produced chemical waste unless he is registered with the Director of Environmental Protection. The Director of Environmental Protection may cause to be maintained a register containing the names of the producers of chemical waste, the location of the premises of such producers where the chemical waste is produced, and a description of the business or activity in the course of or in connection with which the chemical waste is produced.

Until the chemical waste is disposed of by a waste producer in accordance with the Waste Disposal Regulation, he shall ensure that any chemical waste produced or caused to be produced by him or in his possession or custody is stored, packed and labelled in the prescribed manners under the Waste Disposal Regulation. A waste producer shall also ensure that every storage area where, and every cupboard, cabinet, storage tank or receptacle in which, chemical waste is stored displays a warning panel, notice or marking at or near the entrance or the opening, as the case may be, in the prescribed manner.

A waste producer is required by the Waste Disposal Regulation to dispose of the chemical waste by causing or arranging for any chemical waste produced by him or in his possession or custody (a) to be delivered to a reception point; or (b) to be disposed of at the site or premises in respect of where an appropriate waste disposal licence has been granted under the Waste Disposal Ordinance. A waste producer is deemed to have complied with the requirement (a) above if he consigns the chemical waste to a licensed waste collector.

When a waste producer removes or transports the chemical waste from the site or premises where it is produced, stored or located, he shall engage the services of a waste collector. A waste producer shall also record on a trip ticket and two copies thereof (which should be in the form determined by the Director of Environmental Protection) the particulars or information required by the trip ticket, ensure and certify on the trip ticket and copies thereof that the chemical waste to be delivered is correctly classified, described, quantified and labelled, certify when the chemical waste is consigned to the waste collector for delivery on the trip ticket and copies thereof, and comply with any other requirement which the trip ticket specifies. Such trip tickets shall be retained by a waste producer at least for a period of 12 months from the date it is handed over or completed, and shall make the trip tickets available for the inspection by the Director of Environmental Protection, if so required.

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## REGULATIONS

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### **Patent protection of “Tube In Tube” Fluorescent Lamp technology in Hong Kong**

The “Tube In Tube” Fluorescent Lamp technology is the subject matter of a short-term patent in Hong Kong. Grant of a patent is governed by the Patents Ordinance, which came into force on 27 June 1997. The Ordinance provides that a short-term patent shall remain in force until the end of the period of eight years beginning with the date of filing the application. A patent while it is in force confers on the patent owner the right to prevent all third parties not having his consent from doing in Hong Kong all or any of the following: (a) making, putting on the market, using or importing the patented product; or (b) stocking the patented product whether for the purpose of putting it on the market (in Hong Kong or elsewhere) or otherwise.

### **Carbon emission report in Hong Kong**

According to the “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes in Hong Kong)” (the “Guidelines”), jointly issued by the Environmental Protection Department and the Electrical and Mechanical Services Department in 2010, the Government allows the self-assessment and self-reporting of greenhouse gas performance. The reporting entity may also employ a third party to conduct the accounting process and to report on the greenhouse gas performance for its buildings. The Guidelines provides a systematic and scientific approach to account for and report on the greenhouse gas emission and removals from buildings in Hong Kong and should be followed to ensure that the reports are true and fair.

### **Carbon emission report in the PRC**

Pursuant to the relevant provisions of the PRC laws, there is no requirement for our Group to obtain any qualification and/or license governed by and/or under the PRC laws in order to collect the relevant power consumption data of the carbon emission report in the PRC and issue the carbon emission report under the Consultancy Services business.

### **PATENT PROTECTION OF “TUBE-IN-TUBE” FLUORESCENT LAMP TECHNOLOGY WORLDWIDE**

Apart from Hong Kong, “Tube In Tube” Fluorescent Lamp technology is also the subject matter of patent protection in a number of countries. Generally speaking, a patent gives the patent owner the exclusive right to use, exploit, manufacture, sell or import the subject matter of the patented invention. Patent protection is of a territorial nature and once a patent is granted, payment of annuity or maintenance fees is required to keep the patent in force. When a patent is not maintained or expires, the patent owner no longer has the exclusive right to use and/or exploit the patent. The following sets out the relevant laws in different jurisdictions in which the patents are granted:

#### **Australia**

Grant of a patent is governed by the Patents Act 1990 (consolidated as of 24 June 2014). The Act originally came into force on 30 April 1991 and now includes the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth), which made significant changes to the Australian patents legislation and came into force in its entirety on 15 April 2013. The term of protection of a patent is 20 years from the filing date. During the term of a patent, the patent owner has the exclusive right to exploit the invention and to authorize another person to exploit the invention.

#### **Canada**

Grant of a patent is governed by the Patent Act (R.S.C., 1985, c.P-4) which was last amended on last amended on 26 June 2013. The Act provides that the term of protection of a patent is 20 years from the filing date and the patent owner and the legal representatives of the patent owner have the exclusive right, privilege and liberty of making, constructing and using the invention and selling it to others to be used.

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## REGULATIONS

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### **India**

Grant of a patent is governed by the Patents Act 1970 as amended by the Patents (Amendment) Act of respectively of 1999, 2002 and 2005. Under the Act, the term of a patent is 20 years from filing and it confers on the patent owner the exclusive right to prevent third parties, who do not have his consent, from the act of making, using, offering for sale, selling or importing the patented products.

### **Indonesia**

Grant of a patent is governed by Law No.14 of 2001 regarding Patents which came into force on 1 August 2001. Patent is granted for a period of 20 years as from the filing date and it confers on the patent owner the exclusive right to exploit the patent and to prohibit any other party who without his consent to make, use, sell, import, rent out, deliver or supply for sale or rental or deliver the patented product.

### **New Zealand**

Grant of a patent is governed by the Patents Act 2013 (which came into force on 13 September 2013 and 13 September 2014). The term of a patent is 20 years from the date of filing of the complete specification, and the patent gives the patentee the exclusive rights to exploit the invention and to authorize another person to exploit the invention.

### **Philippines**

Grant of a patent is governed by the Intellectual Property Code of the Philippines (Republic Act No.8293) which came into force on 1 January 1998. The term of protection of a patent is 20 years from the filing date of the application and during the term of the patent, it confers on the patent owner the exclusive right to restrain, prohibit and prevent any unauthorized person or entity from making, using, offering for sale, selling or importing the patented product.

### **Singapore**

Grant of a patent is governed by the Patents Act (Chapter 221) which came into force on 23 February 1995. A patent, once granted, shall continue in force until the end of the period of 20 years beginning with the date of filing the application for the patent or with such other date as may be prescribed. During the term of the patent, the patent owner can prevent others from making, disposing of, offering to dispose of, using or importing the patented product or keeping it whether for disposal or otherwise.

### **Russian Federation**

Grant of a patent is governed by the Civil Code of the Russian Federation (Part Four) which came into force on 1 December 2007. The validity term of a patent is 20 years from the filing date of the initial application to the Russian Patent and Trademark Office or the filing date of PCT application and it confers on the patent owner the exclusive right to import, manufacture, exploit, offer for sale, sell, introduce into civil circulation or store the patented product.

### **South Africa**

Grant of a patent is governed by Patents Act No.57 of 1978 (which came into force on 1 January 1979) as amended by the Intellectual Property Laws, Amendment Act of 1997 and Patents Amendment Act No.20 of 2005. The duration of a granted patent is 20 years from the date of application and it confers upon the patent owner the right to exclude other persons from making, using, exercising, disclosing or offering to dispose of, or importing the invention.



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## REGULATIONS

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### **South Korea**

Grant of a patent is governed by the Patents Act (Act No.950) promulgated on 31 December 1961 as last amended on 1 July, 2014 by Act No. 11848 and further amended by Partial Amendment to the Patents Act in 2015. The term of a patent right commences upon registration and lasts for 20 years from its filing date. Patent owner has the exclusive right during the term of a patent to work the patent both commercially and industrially.

### **Vietnam**

Grant of a patent is governed by Law No.36/2009/QH12 Amending and Supplementing a Number of Articles of the Law on Intellectual Property which came into force on 1 January 2010. The term of a patent is 20 years after the filing date of the patent application and it confers on the patent owner the economic right to use or authorize others to use, and to prevent others from using the patent.

### **U.S.A.**

Grant of a patent is governed by U.S. Patent Law, 35 U.S.C. @21B1@21B1 1 et seq., which came into force on 1 January 1953 as amended by Leahy-Smith America Invents Act (AIA) (US219). Subject to payment of fees, the grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the U.S.A. The patent confers on the patent owner the right to exclude others from making, using, offering for sale, selling the invention throughout the U.S.A. or importing the invention into the U.S.A.

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## HISTORY AND CORPORATE DEVELOPMENT

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### BUSINESS AND CORPORATE DEVELOPMENT

#### Synergy Worldwide

The history of our Group can be traced back to 20 October 2008 when Mr. Alastair Lam and Mr. Derek Yeung acquired a shelf company, Oriental Champ Investments Limited, now known as Synergy Worldwide. They were both appointed as directors of Synergy Worldwide on 20 October 2008. Synergy Worldwide was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. At that time and by allotment, Mr. Alastair Lam and Mr. Derek Yeung held 60% and 40% of the shareholding of Synergy Worldwide respectively. On 5 August 2009, Mr. Derek Yeung transferred all his shareholdings in Synergy Worldwide to Mr. Alastair Lam at a consideration equal to the aggregate par value of such shares and left our Group to pursue other business opportunities and he resigned as a director of Synergy Worldwide on the same day. Mr. Alastair Lam then held 100% shareholding of Synergy Worldwide.

On 6 August 2009, Mr. Mansfield Wong was appointed as a director of Synergy Worldwide. On 18 December 2009, Mr. Arthur Lam was appointed as a director of Synergy Worldwide. The business of our Group was initially funded by Mr. Alastair Lam from his own personal resources.

On 18 December 2009, the authorised share capital of Synergy Worldwide was changed whereby Synergy Worldwide reclassified its share capital into two classes, class A Shares (“**Class A Shares**”) and class B Shares (“**Class B Shares**”), and all existing issued shares of Synergy Worldwide were redesignated as Class A Shares. As a result, Synergy Worldwide was then authorised to issue a maximum of 50,000 shares comprising of 47,625 Class A Shares and 2,375 Class B Shares.

The rights of Class A Shares and Class B Shares are the same as regards to voting, dividend and return of capital, and rank pari passu to each other, and are substantially the same as regards to all other rights and obligations except that holders of Class B Shares have the following additional rights and obligations:

- (a) holders of Class B Shares have the Class B Shares Redemption Option. If the Class B Shares Redemption Option is not exercised within 60 days from the second anniversary of the date of issue of the Class B Shares, each Class B Share shall be automatically converted into one Class A Share; and
- (b) any transfer of Class B Shares shall be subject to the right of first refusal of other holders of Class B Shares and holders of Class A Shares to purchase such Class B Shares on a pro-rata basis.

On 19 December 2009:

- (a) 10 ordinary shares which Mr. Alastair Lam held were all redesignated as Class A Shares;
- (b) Synergy Worldwide further issued and allotted 11,859 Class A Shares to Mr. Alastair Lam for the aggregate consideration of US\$11,859, equal to the aggregate par value of such Class A Shares;
- (c) Mr. Arthur Lam was allotted 2,556 Class A Shares for the consideration of US\$2,556, equal to the aggregate par value of such Class A Shares;
- (d) Abundance was allotted 2,556 Class A Shares for the consideration of US\$2,556, equal to the aggregate par value of such Class A Shares;
- (e) Fine Sky was allotted 894 Class A Shares for the consideration of US\$894, equal to the aggregate par value of such Class A Shares;
- (f) a declaration of trust was entered into between Mr. Alastair Lam and Miss Cheng, of which Mr. Alastair Lam declared that 1,092 out of the total of 11,869 Class A Shares held in his name at that time were held on trust for the benefit of Miss Cheng;

## HISTORY AND CORPORATE DEVELOPMENT

- (g) a declaration of trust was entered into between Mr. Alastair Lam and Mr. Cheung of which Mr. Alastair Lam declared that 1,092 out of the total of 11,869 Class A Shares held in his name were held on trust for the benefit of Mr. Cheung;
- (h) a declaration of trust was entered into between Mr. Alastair Lam and Mr. Lau of which, Mr. Alastair Lam declared that 728 out of the total of 11,869 Class A Shares held in his name at that time were held on trust for the benefit of Mr. Lau;
- (i) a declaration of trust was entered into between Mr. Alastair Lam and Mr. Sun, of which Mr. Alastair Lam declared that 1,092 out of the total of 11,869 Class A Shares held in his name at that time were held on trust for the benefit of Mr. Sun; and
- (j) a declaration of trust was entered into between Mr. Arthur Lam and Mr. Kwan, of which Mr. Arthur Lam declared that 416 out of the total of 2,556 Class A Shares held in his name at that time were held on trust for the benefit of Mr. Kwan.

After the issue and allotment of the Class A Shares and the declarations of trusts, on 19 December 2009, Synergy Worldwide was beneficially owned by the following persons in the following manner:

Registered shareholder	Beneficial shareholder	Class A Shares	Approximate % of Class A Shares (Note)	Class B Shares	Approximate % of Class B Shares	Approximate Combined % (Note)
Mr. Alastair Lam	Mr. Alastair Lam	7,865	44.0%	–	–	44.0%
Mr. Alastair Lam	Miss Cheng	1,092	6.1%	–	–	6.1%
Mr. Alastair Lam	Mr. Cheung	1,092	6.1%	–	–	6.1%
Mr. Alastair Lam	Mr. Lau	728	4.1%	–	–	4.1%
Mr. Alastair Lam	Mr. Sun	1,092	6.1%	–	–	6.1%
Mr. Arthur Lam	Mr. Arthur Lam	2,140	12.0%	–	–	12.0%
Mr. Arthur Lam	Mr. Kwan	416	2.3%	–	–	2.3%
Abundance	Abundance	2,556	14.3%	–	–	14.3%
Fine Sky	Fine Sky	894	5.0%	–	–	5.0%
<b>TOTAL</b>		<b>17,875</b>	<b>100.0%</b>	<b>–</b>	<b>–</b>	<b>100.0%</b>

Note: The above percentage figures have been subject to rounding adjustments. Accordingly, figure shown as total may not be an arithmetic aggregation of the figures preceding it.

Each of Miss Cheng, Mr. Cheung, Mr. Lau and Mr. Sun is an acquaintance of Mr. Alastair Lam and Mr. Kwan is an acquaintance of Mr. Arthur Lam. Each of the Beneficial Owners is an Independent Third Party and they are not connected with Fine Sky and any of the Existing Individual Shareholders.

At the time, our Group was in the initial stage of developing its business, and it was uncertain whether our Group's business would be successful. Whilst each of the Beneficial Owners were passive investors in our Group during its infancy, they did not wish to be named as registered shareholders of, and be associated with, our Group, as there were uncertainties involved in starting up a new business. If our Group's business becomes unsuccessful and subject to winding-up and creditors' claims, these may lead to reputational damage and attribution of fault, responsibility and potential personal liability. As a result, Mr. Alastair Lam and Mr. Arthur Lam agreed to hold the Class A Shares on trust for the Beneficial Owners and would transfer the legal interest of such Class A Shares back to the Beneficial Owners on demand.

As our Group was at its growth stage and further capital was needed for its expansion, Synergy Worldwide decided to raise further funds in the aggregate sum of HK\$8,500,000 (from other persons who at the time were not the existing shareholders of Synergy Worldwide) to finance the working capital of our Group by issuing 2,125 Class B Shares at an issue price of HK\$4,000 per Class B Share on 21 December 2009.

## HISTORY AND CORPORATE DEVELOPMENT

On 15 January 2010, 500 Class B Shares were allotted to Mr. Chu for the consideration of HK\$2,000,000, of which the consideration was settled in January 2010; 250 Class B Shares were allotted to Mr. Paul Lam Jr for the consideration of HK\$1,000,000, of which the consideration was settled in February 2010; 250 Class B Shares were allotted to Miss HY Tsang for the consideration of HK\$1,000,000, of which the consideration was settled in December 2009; 125 Class B Shares were allotted to Width for the consideration of HK\$500,000, of which the consideration was failed to be fully paid; 250 Class B Shares were allotted to Mr. HK Tsang for the consideration of HK\$1,000,000, of which the consideration was settled in January 2010; and 750 Class B Shares were allotted to Sinochief for the consideration of HK\$3,000,000, of which the consideration was settled in December 2009. A total of 2,125 Class B Shares of Synergy Worldwide were allotted and share certificates for Class B Shares were issued to each of the aforesaid holders at that time. All the funds arising out of the allotments (other than funds from Width which remained outstanding) were injected into Synergy Worldwide as working capital of our Group. Save for the rights of Class B Shares stated above, no other special right was granted to these holders of the Class B Shares.

On the date of issue and allotment of the Class B Shares to the respective holders of the Class B Shares, each such holder (except Width), Mr. Alastair Lam and Synergy Worldwide entered into a deed of waiver and release, whereby Mr. Alastair Lam agreed to grant to each holder of Class B Shares (except Width) an Option exercisable by each of them within the Option Period. In consideration of Mr. Alastair Lam agreeing to grant such option, the holders of Class B Shares (except Width) agreed to waive their respective rights to exercise the Class B Shares Redemption Option on the terms and conditions set out in the memorandum and articles of association of Synergy Worldwide and that to the extent the Option was not exercised within the Option Period, the holders of Class B Shares (except Width) agreed to convert all of the remaining Class B Shares into Class A Shares on a one for one basis. In respect of the arrangements among Mr. Alastair Lam, Synergy Worldwide and the holders of the Class B Shares, the illustration of the Class B Shares Redemption Option is set out in note 29 of the Accountant's Report in Appendix I to this prospectus.

After the issue and allotment of 2,125 Class B Shares, Synergy Worldwide was beneficially owned by the following persons in the following manner:

Registered shareholder	Beneficial shareholder	Class A Shares	Approximate % of Class A Shares (Note)	Class B Shares	Approximate % of Class B Shares (Note)	Approximate Combined % (Note)
Mr. Alastair Lam	Mr. Alastair Lam	7,865	44.0%	–	–	39.3%
Mr. Alastair Lam	Miss Cheng	1,092	6.1%	–	–	5.5%
Mr. Alastair Lam	Mr. Cheung	1,092	6.1%	–	–	5.5%
Mr. Alastair Lam	Mr. Lau	728	4.1%	–	–	3.6%
Mr. Alastair Lam	Mr. Sun	1,092	6.1%	–	–	5.5%
Mr. Arthur Lam	Mr. Arthur Lam	2,140	12.0%	–	–	10.7%
Mr. Arthur Lam	Mr. Kwan	416	2.3%	–	–	2.1%
Abundance	Abundance	2,556	14.3%	–	–	12.8%
Fine Sky	Fine Sky	894	5.0%	–	–	4.5%
Mr. Chu	Mr. Chu	–	–	500	23.5%	2.5%
Mr. Paul Lam Jr	Mr. Paul Lam Jr	–	–	250	11.8%	1.3%
Miss HY Tsang	Miss HY Tsang	–	–	250	11.8%	1.3%
Width	Width	–	–	125	5.9%	0.6%
Mr. HK Tsang	Mr. HK Tsang	–	–	250	11.8%	1.3%
Sinochief	Sinochief	–	–	750	35.3%	3.8%
<b>TOTAL</b>		<b>17,875</b>	<b>100.0%</b>	<b>2,125</b>	<b>100.0%</b>	<b>100.0%</b>

Note: The above percentage figures have been subject to rounding adjustments. Accordingly, figure shown as total may not be an arithmetic aggregation of the figures preceding it.

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## HISTORY AND CORPORATE DEVELOPMENT

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The consideration for the issue and allotment of 2,125 Class B Shares was arrived at after arm's length negotiation between Synergy Worldwide and the holders of Class B Shares and based on the post money valuation of our Group derived from an agreed multiple to the estimated net profit of our Group for the year ended 31 March 2011 of approximately HK\$8 million.

On 31 October 2010, Mr. Alastair Lam came to an agreement with the Note Subscribers, whereby the Note Subscribers agreed to provide a loan facility of HK\$8 million to Mr. Alastair Lam by way of subscription of the Exchangeable Notes issued by Mr. Alastair Lam, the funds to be used for the purpose of replenishing the working capital of our Group, in return for which Mr. Alastair Lam agreed to transfer such number of Class A Shares to the Note Subscribers equal to the face value of the Exchangeable Notes based on an agreed valuation of our Group, such rights being exercisable by the Note Subscribers. The agreed valuation of our Group was arrived at after arm's length negotiation between Mr. Alastair Lam and the Note Subscribers and based on the post money valuation of our Group derived from an agreed multiple to the estimated net profit of our Group for the year ended 31 March 2012 of approximately HK\$10 million. The Note Subscribers settled the consideration of the Exchangeable Notes in October 2011. Pursuant to the Exchangeable Notes, save as the right to request the transfer of such number of Class A Shares from Mr. Alastair Lam to the Note Subscribers, no special right was granted to the Note Subscribers.

On 31 March 2011, Mr. Alastair Lam transferred 624 Class A Shares to Miss Liu for the aggregate consideration of HK\$3,600,000; Mr. Arthur Lam transferred 208 Class A Shares to Miss Liu for the aggregate consideration of HK\$1,200,000; and Abundance transferred 208 Class A Shares to Miss Liu for the aggregate consideration of HK\$1,200,000, that is approximately HK\$5,769.2 for each Class A Share. On the same day, further allotment of a total of 800 Class A Shares was made. Mr. Chu was allotted 200 Class A Shares for the consideration of HK\$1,154,000; Mr. Paul Lam Jr was allotted 200 Class A Shares for the consideration of HK\$1,154,000; Mr. HK Tsang was allotted 400 Class A Shares for the consideration of HK\$2,308,000, that is HK\$5,770 for each Class A Share. The Class A Shares holders have all fully settled the consideration for the acquisition of the Class A Shares by August 2011. No special right was granted to these Class A Shares holders. On the same day, Synergy Worldwide repurchased the 125 Class B Shares that were previously issued and allotted to Width on 15 January 2010 as Width failed to fully pay for its subscription of those Class B Shares. It was unnecessary for Synergy Worldwide to pay the consideration of HK\$500,000, as the consideration of the repurchase was set off against the consideration for the subscription owed by Width to Synergy Worldwide. Subsequently Synergy Worldwide issued the 125 Class B Shares so repurchased to Mr. HK Tsang for the consideration of HK\$721,250, that is HK\$5,770 for each Class B Share. The share certificate for the 125 Class B Shares in the name of Width was cancelled. Mr. HK Tsang has fully settled the consideration for the acquisition of the Class B Shares by April 2011. Save for the rights of Class B Shares stated above, no other special right was attached to these Class B Shares.

The transfer of Class A Shares from each of Mr. Alastair Lam, Mr. Arthur Lam and Abundance to Miss Liu took place as the other shareholders of Synergy Worldwide did not wish to further dilute their respective percentage interests in Synergy Worldwide in addition to the issue and allotment of 800 Class A Shares on 31 March 2011.

## HISTORY AND CORPORATE DEVELOPMENT

On 31 March 2011, Mr. HK Tsang, Mr. Alastair Lam and Synergy Worldwide entered into another deed of waiver and release, whereby Mr. Alastair Lam agreed to grant to Mr. HK Tsang an option exercisable by Mr. HK Tsang within Mr. HK Tsang Option Period to request Mr. Alastair Lam to purchase the 125 Class B Shares allotted to Mr. HK Tsang on 31 March 2011 at the price equal to the issue price of the 125 Class B Shares plus an additional amount equivalent to 10% per annum of the issue price of the 125 Class B Shares less the amount of any dividends declared and paid to Mr. HK Tsang during the period from 31 March 2011 to 15 January 2012. In consideration of Mr. Alastair Lam agreeing to grant such option, Mr. HK Tsang agreed to waive his rights to exercise the Class B Shares Redemption Option on the terms and conditions set out in the memorandum and articles of association of Synergy Worldwide and that to the extent such option of Mr. HK Tsang under the deed dated 31 March 2011 was not exercised within Mr. HK Tsang Option Period, Mr. HK Tsang agreed to convert his 125 Class B Shares into Class A Shares on a one for one basis.

As at 31 March 2011, Synergy Worldwide was beneficially owned by the following persons in the following manner:

Registered shareholder	Beneficial shareholder	Class A Shares	Approximate % of Class A Shares (Note)	Class B Shares	Approximate % of Class B Shares (Note)	Approximate Combined % (Note)
Mr. Alastair Lam	Mr. Alastair Lam	7,241	38.8%	–	–	34.8%
Mr. Alastair Lam	Miss Cheng	1,092	5.8%	–	–	5.3%
Mr. Alastair Lam	Mr. Cheung	1,092	5.8%	–	–	5.3%
Mr. Alastair Lam	Mr. Lau	728	3.9%	–	–	3.5%
Mr. Alastair Lam	Mr. Sun	1,092	5.8%	–	–	5.3%
Miss Liu	Miss Liu	1,040	5.6%	–	–	5.0%
Mr. Arthur Lam	Mr. Arthur Lam	1,932	10.3%	–	–	9.3%
Mr. Arthur Lam	Mr. Kwan	416	2.2%	–	–	2.0%
Abundance	Abundance	2,348	12.6%	–	–	11.3%
Fine Sky	Fine Sky	894	4.8%	–	–	4.3%
Mr. Chu	Mr. Chu	200	1.1%	500	23.5%	3.4%
Mr. Paul Lam Jr	Mr. Paul Lam Jr	200	1.1%	250	11.8%	2.2%
Miss HY Tsang	Miss HY Tsang	–	–	250	11.8%	1.2%
Mr. HK Tsang	Mr. HK Tsang	400	2.1%	375	17.6%	3.7%
Sinochief	Sinochief	–	–	750	35.3%	3.6%
<b>TOTAL</b>		<u>18,675</u>	<u>100.0%</u>	<u>2,125</u>	<u>100.0%</u>	<u>100.0%</u>

Note: The above percentage figures have been subject to rounding adjustments. Accordingly, figure shown as total may not be an arithmetic aggregation of the figures preceding it.

The consideration for the issue and allotment of 800 Class A Shares and re-issue of the 125 Class B Shares and the transfer of 1,040 Class A Shares to Miss Liu were approximately the same and they were arrived at after arm's length negotiation between Synergy Worldwide and the transferees and allottees of such Class A Shares and Class B Shares, and based on the post money valuation of our Group derived from an agreed multiple to the estimated net profit of our Group for the year ended 31 March 2012 of approximately HK\$10 million. The agreed multiple for the aforesaid transactions was higher than the agreed multiple for the Note Subscribers because of the increased certainty that our Group was able to achieve the estimated net profit of our Group for the year ended 31 March 2012 of HK\$10 million by the time the aforesaid transactions took place.

## HISTORY AND CORPORATE DEVELOPMENT

On 2 November 2011, Mr. Alastair Lam applied the proceeds of the loan from the Note Subscribers to our Group, and Mr. Alastair Lam was allotted 1,808 Class A Shares for the consideration of HK\$8,000,000, or approximately HK\$4,424.8 for each Class A Share.

On 3 November 2011, Mr. Alastair Lam transferred 904 Class A Shares to Mr. Tong for the consideration of HK\$4,000,000; and transferred 904 Class A Shares to Mr. Chow for the consideration of HK\$4,000,000, or approximately HK\$4,424.8 for each Class A Share for the Note Subscribers' exercise of the exchange right under the Exchangeable Notes.

On 30 November 2011, Mr. Alastair Lam transferred the legal title of the following Class A Shares held by him to the respective beneficial owners of such Class A Shares for no consideration: (i) 1,092 Class A Shares to Miss Cheng; (ii) 1,092 Class A Shares to Mr. Cheung; (iii) 728 Class A Shares to Mr. Lau; and (iv) 1,092 Class A Shares to Mr. Sun. On the same day, Mr. Arthur Lam transferred the legal title of 416 Class A Shares to Mr. Kwan, the beneficial owner of such Class A Shares, for no consideration.

As at 30 November 2011, Synergy Worldwide was owned by the following persons in the following manner:

Shareholder	Class A Shares	Approximate % of Class A Shares (Note)	Class B Shares	Approximate % of Class B Shares (Note)	Approximate Combined % (Note)
Mr. Alastair Lam	7,241	35.4%	–	–	32.0%
Miss Cheng	1,092	5.3%	–	–	4.8%
Mr. Cheung	1,092	5.3%	–	–	4.8%
Mr. Lau	728	3.6%	–	–	3.2%
Mr. Sun	1,092	5.3%	–	–	4.8%
Miss Liu	1,040	5.1%	–	–	4.6%
Mr. Arthur Lam	1,932	9.4%	–	–	8.5%
Mr. Kwan	416	2.0%	–	–	1.8%
Abundance	2,348	11.5%	–	–	10.4%
Fine Sky	894	4.4%	–	–	4.0%
Mr. Tong	904	4.4%	–	–	4.0%
Mr. Chow	904	4.4%	–	–	4.0%
Mr. Chu	200	1.0%	500	23.5%	3.1%
Mr. Paul Lam Jr	200	1.0%	250	11.8%	2.0%
Miss HY Tsang	–	–	250	11.8%	1.1%
Mr. HK Tsang	400	2.0%	375	17.6%	3.4%
Sinochief	–	–	750	35.3%	3.3%
<b>TOTAL</b>	<u>20,483</u>	<u>100.0%</u>	<u>2,125</u>	<u>100.0%</u>	<u>100.0%</u>

Note: The above percentage figures have been subject to rounding adjustments. Accordingly, figure shown as total may not be an arithmetic aggregation of the figures preceding it.

None of the holders of Class B Shares exercised the Option, the option granted by Mr. Alastair Lam to Mr. HK Tsang on 31 March 2011 or the Class B Shares Redemption Option during their respective periods for exercise of such options and have all lapsed. By 23 August 2012, 2,000 Class B Shares (which excludes the 125 Class B Shares re-issued to Mr. HK Tsang) were converted into Class A Shares. On 23 August 2012, Synergy Worldwide repurchased the remaining 125 Class B Shares held by Mr. HK Tsang, in consideration of which Synergy Worldwide issued and allotted 125 Class A Shares to Mr. HK Tsang.

## HISTORY AND CORPORATE DEVELOPMENT

As at 23 August 2012, Synergy Worldwide was owned by the following persons in the following manner:

Shareholder	Class A Shares	Approximate Shareholding (%) (Note)
Mr. Alastair Lam	7,241	32.0%
Miss Cheng	1,092	4.8%
Mr. Cheung	1,092	4.8%
Mr. Lau	728	3.2%
Mr. Sun	1,092	4.8%
Miss Liu	1,040	4.6%
Mr. Arthur Lam	1,932	8.5%
Mr. Kwan	416	1.8%
Abundance	2,348	10.4%
Fine Sky	894	4.0%
Mr. Tong	904	4.0%
Mr. Chow	904	4.0%
Mr. Chu	700	3.1%
Mr. Paul Lam Jr	450	2.0%
Miss HY Tsang	250	1.1%
Mr. HK Tsang	775	3.4%
Sinochief	750	3.3%
<b>TOTAL</b>	<u>22,608</u>	<u>100.0%</u>

Note: The above percentage figures have been subject to rounding adjustments. Accordingly, figure shown as total may not be an arithmetic aggregation of the figures preceding it.

As Mr. Alastair Lam wished to reallocate some of his resources and devote more time to his other investment, on 12 March 2014, Mr. Alastair Lam as vendor entered into an agreement for sale and purchase ("**Sale and Purchase Agreement**") of an aggregate of 4,528 Class A Shares with Abundance, Mr. Chu, Mr. Paul Lam Jr, Mr. Chow, Mr. Lau, Mr. Tong and a new investor, Success Gold as purchasers for a total consideration of HK\$24,999,999. Each Class A Share sold to the said purchasers were at the same consideration per Class A Share of approximately HK\$5,521.2. Pursuant to the Sale and Purchase Agreement which was completed on 12 March 2014, each of Abundance, Mr. Chu, Mr. Paul Lam Jr, Mr. Chow, Mr. Lau, Mr. Tong and Success Gold acquired 226 Class A Shares, 388 Class A Shares, 249 Class A Shares, 501 Class A Shares, 403 Class A Shares, 501 Class A Shares and 2,260 Class A Shares from Mr. Alastair Lam respectively.

The consideration for the transfer of the 4,528 Class A Shares was arrived at after arm's length negotiation between Mr. Alastair Lam and the transferees of those Class A Shares, with reference to the valuation of the Group used in the last subscription of Class A Shares.



## HISTORY AND CORPORATE DEVELOPMENT

Accordingly, since 12 March 2014 and up to immediately prior to the completion of the Reorganisation, Synergy Worldwide had been owned by the following persons in the following manner:

Shareholder	Class A Shares	Approximate Shareholding (%) (Note)
Mr. Alastair Lam	2,713	12.0%
Miss Cheng	1,092	4.8%
Mr. Cheung	1,092	4.8%
Mr. Lau	1,131	5.0%
Mr. Sun	1,092	4.8%
Miss Liu	1,040	4.6%
Mr. Arthur Lam	1,932	8.5%
Mr. Kwan	416	1.8%
Abundance	2,574	11.4%
Fine Sky	894	4.0%
Mr. Tong	1,405	6.2%
Mr. Chow	1,405	6.2%
Mr. Chu	1,088	4.8%
Mr. Paul Lam Jr	699	3.1%
Miss HY Tsang	250	1.1%
Mr. HK Tsang	775	3.4%
Sinochief	750	3.3%
Success Gold	2,260	10.0%
TOTAL	<u>22,608</u>	<u>100.0%</u>

Note: The above percentage figures have been subject to rounding adjustments. Accordingly, figure shown as total may not be an arithmetic aggregation of the figures preceding it.

### SLL

SLL was established by Mr. Alastair Lam on 3 December 2008 as our Group's operating company for carrying out the energy saving service business in Hong Kong. He was allotted 100 shares of HK\$1.00 each and held the entire beneficial interest of SLL at that time.

On 1 July 2009, Mr. Mansfield Wong and Mr. Arthur Lam joined the management team of SLL as the Chief Executive Officer and an executive director respectively.

Mr. Alastair Lam transferred his entire shareholding in SLL to Synergy Worldwide for HK\$100 (the aggregate par value of all the then issued shares of SLL) on 3 September 2009. Thereafter, SLL became the wholly owned subsidiary of Synergy Worldwide.

On 29 May 2009, SLL entered into the 29 May 2009 Agreement to acquire the rights in the patents of the "Tube-in-Tube" Fluorescent Lamp technology from its original inventors and owners, Mr. Chan and Mr. Ng. Under the 29 May 2009 Agreement, Mr. Chan, Mr. Ng and Faeco (collectively "**Party B**") agreed to transfer the "Tube-in-Tube" Fluorescent Lamp technology patent/patent applications in 14 countries to SLL upon fulfillment of the following conditions:

- (i) Payment by SLL to Party B a sum of HK\$1.6 million by 31 October 2009;
- (ii) Payment by SLL to Party B another sum of HK\$1.6 million by four quarterly payments with the first payment of HK\$400,000 to be made by 31 October 2009 as compensation of the previously engaged business between Party B and its distributors;

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## HISTORY AND CORPORATE DEVELOPMENT

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- (iii) Mr. Chan and Mr. Ng will accept the employment offer by SLL to oversee SLL's lighting product development and manufacturing department and an employment contract shall be engaged upon further discussion;
- (iv) SLL shall grant 5% of its shares to Party B by 31 October 2009;
- (v) Immediate termination of any commercial arrangement between Party B and any other customers, distributors, vendors, third parties unless a mutual arrangement has been agreed between SLL and Party B, and a revenue reimbursement scheme of all established business by Party B will be determined between SLL and Party B; and
- (vi) SLL shall reimburse Party B any maintenance fees, annuities and the like due on the patents to be assigned for the following period upon execution of the 29 May 2009 Agreement.

The sum of HK\$1.6 million as consideration for assignment of the patent/patent applications in 14 countries and another sum of HK\$1.6 million for termination or transfer of all business engagements that Party B had previously entered into with their distributors (i.e. in the total sum of HK\$3.2 million) ("**Agreed Consideration**") were mutually agreed after arm's length negotiations. Details of the "Tube-in-Tube" Fluorescent Lamp technology are set out under the section headed "Business – Intellectual property rights – "Tube-in-Tube" Fluorescent Lamp technology" in this prospectus. Mr. Chan and Mr. Ng had also irrevocably consented and granted a licence to our Group to use and exploit the patents in various countries across the globe on an exclusive basis from 29 May 2009. Mr. Chan and Mr. Ng commenced providing services to SLL and our Group as consultants pursuant to the 29 May 2009 Agreement but no separate consultancy agreements were ever entered into between Mr. Chan and Mr. Ng and SLL respectively. On 29 March 2012, Fine Sky entered into a consultancy contract with SLL, whereby Fine Sky was appointed as consultant, among other things, to provide research and development services to SLL with the purpose of promoting and enhancing the Tube-in-tube products of SLL and quality control of such lighting products, at a fixed monthly fee of HK\$15,000 for a fixed terms of three years commencing from 1 October 2011. The term of this consultancy contract was extended for a further term of three years from the date of expiry of the original term by mutual agreement of the parties thereto on 4 September 2013. In 2009, SLL gained social recognition and received the Outstanding Green Excellence Award granted by CAPITAL magazine of South China Media.

On 23 December 2009, SLL, Synergy Worldwide, Mr. Chan, Mr. Ng, Faeco and Fine Sky entered into the Second IP Rights Agreement. The Second IP Rights Agreement became effective from 23 December 2009. Mr. Chan and Mr. Ng further consented and granted a licence to our Group to use and exploit the patents on the "Tube-in-Tube" Fluorescent Lamps and related marketing, promotional materials on an exclusive basis.

The Second IP Rights Agreement superseded the 29 May 2009 Agreement and under the Second IP Rights Agreement:

- (a) Mr. Chan and Mr. Ng with full title guarantee transfer and assign to Synergy Worldwide all their rights, titles and interests relating to the "Tube-in-Tube" Fluorescent Lamp technology patent/pending patent upon signing of the Second IP Rights Agreement;
- (b) ownership of all Mr. Chan's and Mr. Ng's rights, titles and interests relating to the "Tube-in-Tube" Fluorescent Lamp technology would also be transferred from Mr. Chan and Mr. Ng to Synergy Worldwide upon completion of the following:
  - (i) Payment by Synergy Worldwide to Mr. Chan, Mr. Ng and Faeco the sum of HK\$1.6 million with half of the payment to be settled on 23 December 2009 and the rest to be paid in four equal quarterly payments of HK\$200,000 each to be paid respectively on 31 March, 30 June, 30 September and 31 December 2010; and

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## HISTORY AND CORPORATE DEVELOPMENT

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- (ii) Payment by Synergy Worldwide to Mr. Chan, Mr. Ng and Faeco the sum of HK\$1.6 million by way of four equal quarterly payments of HK\$400,000 each to be paid respectively on 31 March, 30 June, 30 September and 31 December 2010 in consideration of the latter terminating or transferring all business engagements entered into with their distributors and clients prior to 23 December 2009;
- (c) Synergy Worldwide shall allot 894 Class A shares in Synergy Worldwide (representing 5% of the then total 17,875 allotted Class A shares of Synergy Worldwide) to Fine Sky on 23 December 2009;
- (d) Synergy Worldwide shall reimburse Mr. Chan, Mr. Ng and Faeco any and all renewal fees, annuities and the like due and paid on patents and/or patent applicants since 29 May 2009 provided that they are supported by documentary proof of all such payments made; and
- (e) the Agreed Consideration remain unchanged.

Pursuant to the Second IP Rights Agreement, Synergy Worldwide became the proprietary owner of Hong Kong Patent No. 1052834 after the change of its ownership was recorded with the Hong Kong Patents Registry on 1 September 2010. The effective date of our ownership of Hong Kong Patent No. 1052834 was 23 December 2009. The Hong Kong Patent No. 1052834 expired on 22 August 2010. Further recordal of change of ownership of Hong Kong Patent No. 1120360 to SLL was completed on 2 September 2011.

During the period of 23 December 2009 to 30 November 2011, some of the patents agreed to be transferred and assigned to Synergy Worldwide under the Second IP Rights Agreement have lapsed, expired or abandoned. As a result, the parties thereto renegotiated and entered into the Third IP Rights Agreement on 30 November 2011 to supersede the Second IP Rights Agreement with effect from its date of signing.

Pursuant to the Third IP Rights Agreement, the parties agreed to the following:

- (i) Mr. Chan and Mr. Ng shall proceed to transfer all its rights, title and interests of the remaining patents in the Second IP Rights Agreement that have not lapsed, expired or abandoned and not yet been transferred to Synergy Worldwide as at the date of the Third IP Rights Agreement; and
- (ii) to release and discharge each party from further performance of any and all outstanding obligations that each party is required to fulfil under the Second IP Rights Agreement which remained unfulfilled as of the date of the Third IP Rights Agreement.

On the date of the Third IP Rights Agreement, Synergy has paid HK\$1.6 million for the transfer of such patents. As a result of the Third IP Rights Agreement, Synergy Worldwide was not required to pay the remaining balance of the Agreed Consideration of HK\$1.6 million. On 30 November 2011, the transfer of the rights in the patents to our Group was completed.

As at the Latest Practicable Date, Synergy Worldwide is the proprietary owner of all the patents agreed to be transferred under the Third IP Rights Agreement. Details of the "Tube-in-Tube" Fluorescent Lamps technology are set out under the section headed "Business" in this prospectus.

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## HISTORY AND CORPORATE DEVELOPMENT

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We have successfully obtained different certifications for our “Tube-in-Tube” Fluorescent Lamps in order for us to explore overseas markets. As at the Latest Practicable Date, we have obtained the following certifications:

<u>Certifications</u>	<u>Countries</u>
CE	European markets
C Tick	Australia and New Zealand
PSE	Japan
TISI	Thailand
UL/cUL	USA/Canada

### Investment in the cooling business

In 2011, our Group expanded into the energy saving air conditioning and cooling management business. Mr. Fok Yin Pong (“**Mr. Fok**”) introduced SGT and its shareholders to us for the purpose of forming a joint venture to carry on energy saving air conditioning and cooling management business. At that time, SGT was engaged in the business of provision of cooling management solutions.

During the course of negotiation, SCM (BVI) was incorporated in BVI on 1 April 2011. Subsequently, Mr. HK Tsang and Sinochief were also interested to invest in SCM (BVI). As a result, Synergy Worldwide, Mr. HK Tsang and Sinochief entered into the Original Incorporate Agreement with, amongst others, SGT and SCM (BVI) on 21 April 2011, which furthered our Group’s investment into the energy saving air conditioning and cooling management business. Pursuant to the Original Incorporate Agreement, it was agreed that, amongst other things:

- i. SCM (HK), an operating company in Hong Kong shall be incorporated to conduct the cooling business;
- ii. SGT shall transfer all its signed/authorized distributorship and all refrigerant related mixing formulae to SCM (BVI) and all its rights and benefits of the sole distributorship rights of products of IS Point Refrigeration International Holdings Ltd. (“**IS Point**”) in Hong Kong and Macau pursuant to the sole distributorship agreement entered into between SGT and IS Point on 15 November 2010 as amended by a supplemental agreement dated 13 May 2011 (the “**Cooling Assets**”) for a total consideration made up partly of cash of HK\$25,000,000 (“**Cash Consideration**”) and ownership of 13,000 shares in SCM (BVI);
- iii. The Cash Consideration shall be paid to Mr. Cheung Wai Man Stephen (“**Mr. Stephen Cheung**”) within six months from the date of the Original Incorporate Agreement;
- iv. Out of the 18,400 shares in SCM (BVI): (i) Synergy Worldwide was to hold 5,000 shares; (ii) SGT was to hold 7,400 shares; (iii) Gain Best Group Limited (“**Gain Best**”), Fuqi Holdings Limited (“**Fuqi**”) and Great Prime Group Limited (“**Great Prime**” together with Gain Best and Fuqi shall be referred to as the “**SGT Backers**”) were to hold 5,400 shares; and (iv) Mr. Fok was to hold 200 shares; and
- v. Each of Mr. HK Tsang and Sinochief would subscribe for 200 shares in SCM (BVI) for a total of HK\$3.6 million.

It was the intention and a commercial decision of the shareholders of SGT and the SGT Backers that the Cash Consideration was to be paid to Mr. Stephen Cheung only. The said parties’ intention was documented in the Original Incorporate Agreement and further elaborated in the Supplemental Deed that in consideration of Mr. Stephen Cheung agreeing to and procuring the completion by SGT of the transfer of the Cooling Assets to SCM (BVI) under the Incorporate Agreement and the SGT Backers becoming direct shareholders of SCM (BVI), the Cash Consideration was paid to Mr. Stephen Cheung instead of SGT.

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## HISTORY AND CORPORATE DEVELOPMENT

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Whilst the Original Incorporate Agreement recorded the legal end result of the transactions contemplated thereunder, further elaboration of the intermediate steps that led to such result as well as clearer explanation of the reasons and rationale for the parties to enter into such transactions were recorded in the Supplemental Deed, and the salient terms of which are as follows:

- i. Synergy Worldwide subscribed for 5,000 new shares in SCM (BVI) for HK\$25 million in cash, the 5,000 shares representing approximately 27.2% of the issued share capital of SCM (BVI); and
- ii. As directed by SCM (BVI), Synergy Worldwide's subscription price of HK\$25 million was paid to SGT (or as SGT directs in writing) instead of SCM (BVI), to assist SCM (BVI)'s payment to SGT of the Cash Consideration for the transfer of the Cooling Assets. As further directed by SGT, such Cash Consideration was paid directly to Mr. Stephen Cheung, the registered holder of approximately 86.4% of the issued share capital of SGT as referred in the Incorporate Agreement, instead of SGT; and
- iii. SGT directed that 5,600 shares in SCM (BVI) out of 13,000 shares of SCM (BVI) which it became entitled for the transfer of the Cooling Assets to SCM (BVI) were to be allotted instead to the SGT Backers as to 5,400 shares in SCM (BVI) and Mr. Fok as to 200 shares in SCM (BVI).

SGT Backers and Mr. Fok became entitled to 5,400 shares and 200 shares in SCM (BVI) respectively for the following reasons:

- (a) Mr. Stephen Cheung is the registered owner of approximately 86.4% of the then issued share capital of SGT at that time. Mr. Stephen Cheung is the beneficial owner of the majority of these shares in SGT. The shareholders of the SGT Backers had previously given both financial support and business advice to Mr. Stephen Cheung on SGT's cooling management business and for the incorporation of SGT in 9 June 2010. As a result, Mr. Stephen Cheung agreed with the SGT Backers that they were beneficially interested in some of the shares in SGT registered in the name of Mr. Stephen Cheung;
- (b) Mr. Stephen Cheung and the SGT Backers consented to, and procured, the transfer of the Cooling Assets by SGT to SCM (BVI). Mr. Stephen Cheung honoured his agreement with the SGT Backers, and hence the SGT Backers took up 5,400 shares in SCM (BVI) out of the 13,000 shares in SCM (BVI) which SGT was entitled for the transfer of the Cooling Assets; and
- (c) Mr. Fok introduced SGT to the Group, which resulted in the Incorporate Agreement and the transactions thereunder. SGT and the SGT Backers agreed that Mr. Fok would take up 200 shares in SCM (BVI) out of the 13,000 shares in SCM (BVI) which SGT was entitled for the transfer of the Cooling Assets.

The Cash Consideration was settled with the funds from internal resources of our Group in the sum of HK\$24 million and an interest free shareholder's loan of HK\$1 million from Mr. Alastair Lam to our Group. The total consideration for the transfer of the Cooling Assets was arrived at after our Group had made its own assessment of the business potential of SCM(BVI) and determined through arm's length negotiation amongst the parties to the Incorporate Agreement with reference to the estimated value of the mixing formulae and the projected profit to be generated therefrom.

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## HISTORY AND CORPORATE DEVELOPMENT

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SCM (HK) was incorporated in Hong Kong on 21 April 2011 with limited liability. SCM (BVI) has been the sole shareholder of SCM (HK) which was established as an operating company of SCM (BVI) to conduct the business of provision of energy saving air conditioning and cooling management services.

On completion of the Incorporate Agreement, SGT transferred all the Cooling Assets to SCM (BVI) and Synergy Worldwide became the registered holder of 5,000 shares of SCM (BVI), which represented approximately 27.2% of SCM (BVI). The other shareholders of SCM (BVI) were SGT (which held 7,400 shares and represented approximately 40.2% of SCM (BVI)), the SGT Backers (which held a total of 5,400 shares and represented approximately 29.3% of SCM (BVI)) and Mr. HK Tsang, Sinochief and Mr. Fok (each of which held 200 shares and represented approximately 1.1% of SCM (BVI) individually).

On 17 November 2011, Synergy Worldwide entered into Macau Joint Venture Agreement (which was supplemented and amended by two supplemental agreements dated 21 August 2012 entered into by Synergy Worldwide and SIEPS to amend certain terms of the Macau Joint Venture Agreement) with SIEPS. Under the Macau Joint Venture Agreement, Synergy Worldwide agreed to (a) provide Consultancy Services; and (b) sell lighting and refrigerating equipment and products to SIEPS within the territory of Macau on an exclusive basis.

SE (HK) was incorporated in Hong Kong on 11 June 2014 with limited liability. SCM (BVI) has been the sole shareholder of SE (HK) which was established as an operating company of SCM (BVI) in Hong Kong to conduct the business of provision of energy management systems solutions.

SCMM (BVI) was incorporated in the BVI on 11 November 2013. SCM (BVI) has been the sole shareholder of SCMM (BVI) which was established as an operating / intermediate holding company of SCM (BVI) to establish and hold the entire issued share capital of SEM (Malaysia) to operate the cooling management systems solutions in Malaysia.

SEM (Malaysia) was incorporated in Malaysia on 17 April 2014 with 100 shares in issue and were initially owned as to 50% by Mr. Stephen Cheung and 50% by Ms. Yim Wan Yee Eva. On 7 May 2014, SCMM (BVI) acquired the 50 issued shares from Mr. Stephen Cheung and the 50 issued shares from Ms. Yim Wan Yee Eva, both at the consideration of RM50 in cash which were determined based on the par value of the shares, which has been properly and legally completed and settled and SEM (Malaysia) became wholly-owned by SCMM (BVI) since 7 May 2014. As such, our Group had an attributable interest of approximately 27.2% in SEM (Malaysia). Mr. Stephen Cheung is a shareholder of SGT holding approximately 95.9% shareholding in SGT. Ms. Yim Wan Yee Eva is the spouse of Mr. Stephen Cheung. Save for the aforesaid, each of Mr. Stephen Cheung and Ms. Yim Wan Yee Eva was and still is an Independent Third Party. SEM (Malaysia) is an operating company of SCM (BVI) to operate the cooling management systems solutions in Malaysia.

Our Group expanded into energy saving air conditioning and cooling management business because our Directors believed (i) electricity consumptions of cooling appliances is approximately four times of the lighting appliance and thus its related service income is potentially higher; (ii) the potential share of customer base which may create synergy between the lighting business and the cooling business; and (iii) the expansion can further position our Group to be a one stop energy saving service provider given the electricity consumption for the use of lighting and cooling represents around 80% of the commercial electricity consumptions as a whole. Our Group currently does not intend to increase its investment in the cooling business.

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## HISTORY AND CORPORATE DEVELOPMENT

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### Discontinued operations during the Track Record Period

During the Track Record Period, we had a joint venture in Mexico through SLM and LNG Synergy (as defined below), and we have disposed our interest in the Mexico joint venture in October 2014. During the same period, we also set up a joint venture company, Jingan Synergy, in the PRC. Jingan Synergy has not commenced business and we have disposed our interest in our PRC joint venture in March 2014.

#### *SLM and LNG Synergy*

SLM was incorporated in Hong Kong on 2 December 2010, which was used as a joint venture vehicle between our Group and LNG. SLM became 55% held by Synergy Worldwide and 45% held by LNG on 18 December 2010. SLM formed LNG Synergy S.A. DE C.V. (“**LNG Synergy**”), a limited liability company in Mexico on 26 May 2011 which was then intended to be used as an operating vehicle of SLM to focus on the sale and marketing of energy saving lighting system in the region of Mexico. As the business plan for the Mexico region had not materialised, Synergy Worldwide disposed of the 5,500 issued shares, representing 55% equity interest held by it in SLM to LNG at the consideration of HK\$1 on 17 October 2014, which has been properly and legally completed and settled.

#### *Synergy (China) and Jingan Synergy*

On 6 June 2012, Synergy (China) was incorporated in Hong Kong with limited liability and had been directly wholly-owned by Synergy Worldwide. On 23 September 2013, Synergy (China), China Jingan and Topgal established Jingan Synergy, a Sino-foreign equity joint venture company in the PRC with a registered capital of HK\$60.89 million which had been agreed to be contributed by Synergy (China) as to 72%, China Jingan as to 20% and Topgal as to 8%.

China Jingan is a state-controlled enterprise established in the PRC. Topgal is a company incorporated in Seychelles and wholly-owned by Mrs. Angela Lam who is the spouse of Mr. James Lam.

It was the then intention of the Group to expand its business in the PRC by using such joint venture company. Since the expansion plan through Jingan Synergy would not be proceeded with for the time being, the Directors considered that Jingan Synergy and Synergy (China) were no longer useful to the Group, and Mr. Alastair Lam intended to acquire Synergy (China) as a shelf company for his own business use (which was not related to Jingan Synergy), Synergy Worldwide then disposed of all the 100 issued shares, representing 100% of the issued share capital of Synergy (China), to Mr. Alastair Lam at the aggregate consideration of HK\$100 in cash on 10 March 2014 which has been properly and legally completed and settled. The consideration for the disposal of the 100 issued shares of Synergy (China) to Mr. Alastair Lam was determined based on the paid up share capital of Synergy (China). For details please refer to the section headed “Relationship with Well Spread” in this prospectus.

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## HISTORY AND CORPORATE DEVELOPMENT

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### GROUP REORGANISATION

Our Company was incorporated in the Cayman Islands on 14 December 2011. On incorporation, our Company has an authorised share capital of HK\$380,000 divided into 380,000 ordinary shares of HK\$1.00 each. One share of HK\$1.00 was issued and allotted nil-paid to Codan Trust Company (Cayman) Limited and such nil-paid subscriber share was transferred to Mr. Alastair Lam on 14 December 2011. On the same day, our Company issued and allotted 99 shares of HK\$1.00 each nil-paid to Mr. Alastair Lam, such that Mr. Alastair Lam then held 100 Shares of HK\$1.00 each that were nil-paid. On 6 February 2012, our Company was registered as a non-Hong Kong company under Part XI of the then Companies Ordinance (Chapter 32 of the Laws of Hong Kong), the predecessor to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Our Company will become the ultimate holding company of our Group and the eventual listing vehicle.

On 5 March 2015, the sole shareholder of our Company, Mr. Alastair Lam passed a resolution to approve the sub-division of all the ordinary shares of HK\$1.00 each in the issued and unissued share capital of our Company into 100 Shares. As a result, the authorised share capital of our Company became HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which 10,000 Shares have been issued nil paid and held by Mr. Alastair Lam.

In preparation for the Placing, the Existing Shareholders, our Company, Synergy Worldwide and Mr. Mansfield Wong entered into the Reorganisation Agreement on 5 March 2015.

Pursuant to the Reorganisation Agreement, our Company acquired from the Existing Shareholders of Synergy Worldwide the entire share capital of Synergy Worldwide, in consideration of which our Company issued and allotted to the Existing Shareholders of Synergy Worldwide 414,990,000 new Shares credited as fully-paid and credited the 10,000 nil-paid Shares as fully-paid at par and held by Mr. Alastair Lam, such that on completion of the Reorganisation Agreement, the percentage shareholding of each of the Existing Shareholders (before the Reorganisation) and in our Company (after the Reorganisation) was approximately the same.

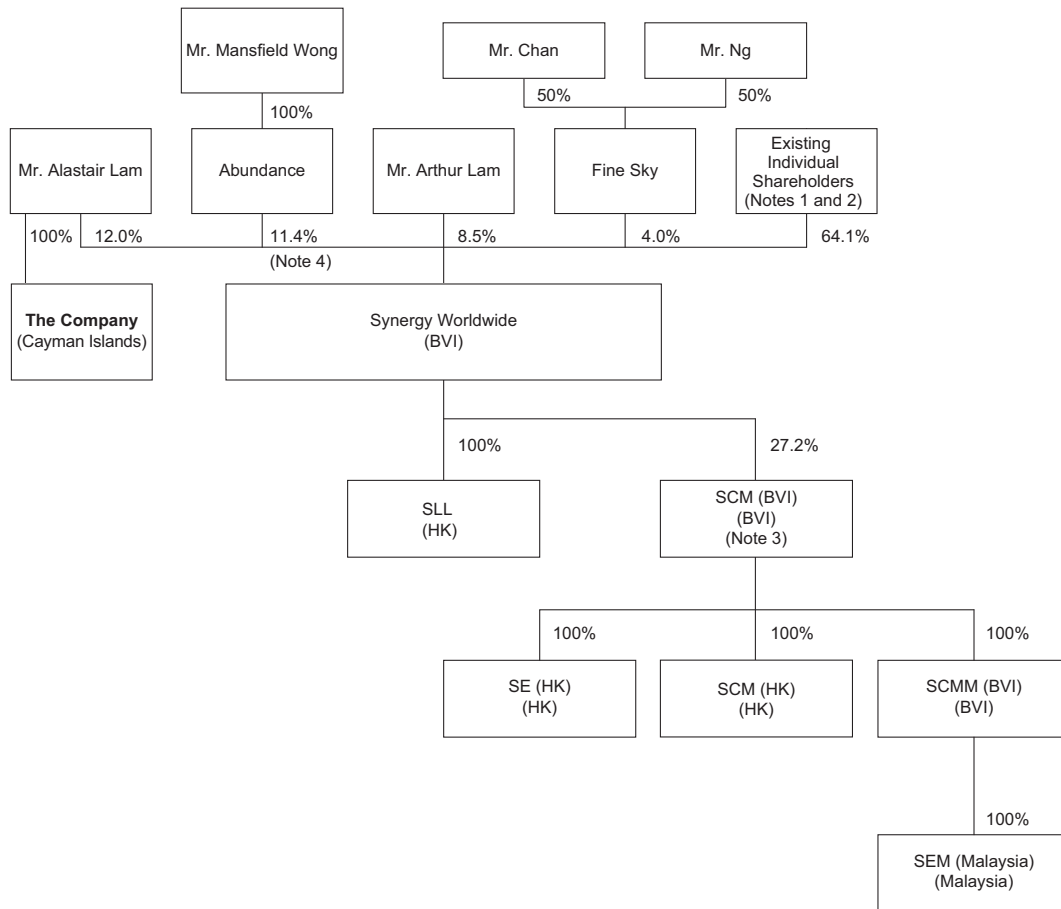
On completion of the Reorganisation but immediately prior to the completion of the Placing, the Company had issued a total of 415,000,000 Shares all of which were owned by the Existing Shareholders.



# HISTORY AND CORPORATE DEVELOPMENT

## SHAREHOLDING AND GROUP STRUCTURE

The following chart illustrates the shareholding structure and the corporate structure of our Group together with its associated companies immediately prior to the completion of the Reorganisation:

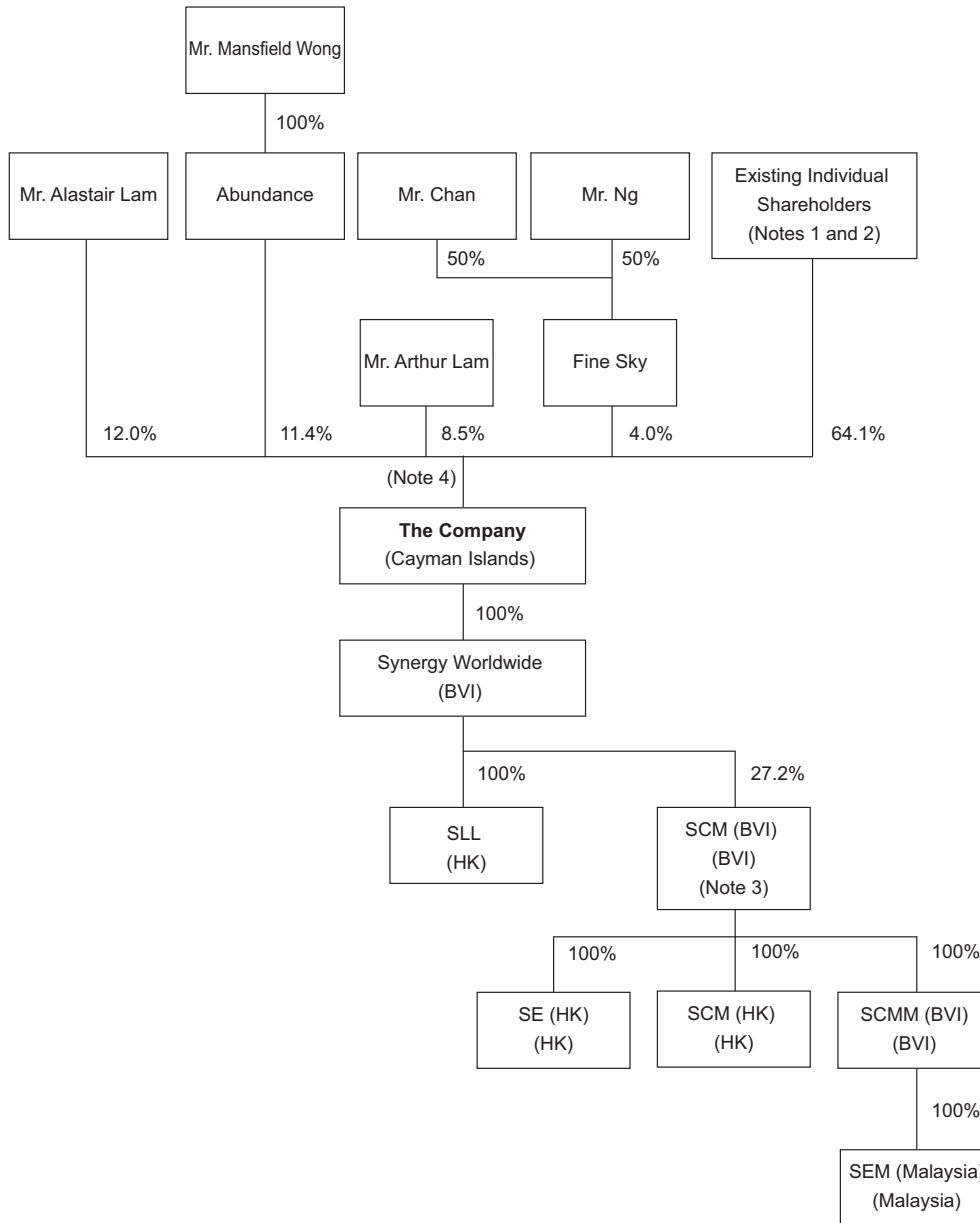


### Notes:

- (1) Approximately 10.0%, 6.2%, 6.2%, 5.0%, 4.8%, 4.8%, 4.8%, 4.8%, 4.6%, 3.4%, 3.3%, 3.1%, 1.8% and 1.1% of the issued share capital of Synergy Worldwide were owned by Success Gold, Mr. Tong, Mr. Chow, Mr. Lau, Miss Cheng, Mr. Cheung, Mr. Sun, Mr. Chu, Miss Liu, Mr. HK Tsang, Sinochief, Mr. Paul Lam Jr, Mr. Kwan and Miss HY Tsang respectively. Sinochief is owned by Mr. Tang Kwok Cheung and Miss Zee Margaret in equal shares. Success Gold is wholly-owned by Miss Chan Yuk. The aforesaid percentage figures have been subject to rounding adjustments. Therefore, the aggregate shareholding of the Existing Individual Shareholders shown in the above chart of 64.1% may not be an arithmetic aggregation of such percentages figures.
- (2) All the Existing Individual Shareholders and, in relation to Sinochief and Success Gold, their ultimate beneficial owners are all Independent Third Parties. Each of Sinochief and Mr. HK Tsang also owns approximately 1.1% equity interest in SCM (BVI). None of the Existing Individual Shareholders or (in relation to those which are companies) their ultimate beneficial owners is a director of any member of our Group nor an associate of any connected person of our Company, nor will he or she be accustomed to take instructions from a connected person in respect of his or her Shares. The Existing Individual Shareholders are independent of each other.
- (3) SCM (BVI) is an associated company of our Group which is owned as to approximately 27.2% by Synergy Worldwide, approximately 40.2% by SGT, approximately 13.2% by Gain Best Group Limited, approximately 9.4% by Fuqi Holdings Limited, approximately 6.7% by Great Prime Group Limited, approximately 1.1% by Mr. Fok Yin Pong, approximately 1.1% by Sinochief and approximately 1.1% by Mr. HK Tsang. SGT is owned as to approximately 95.9% by Mr. Stephen Cheung, approximately 4.0% by Mr. Cheng Chi Kuen and approximately 0.1% by IS Point. Mr. Cheng Chi Kuen is a member of our senior management team. Pursuant to a supplemental agreement dated 13 May 2011 entered into between SGT and IS Point, SGT transferred all its rights and benefits of the sole distributorship rights of products of IS Point in Hong Kong and Macau under a sole distributorship agreement entered into between SGT and IS Point dated 15 November 2010. Save for the aforesaid, all the other shareholders of SCM (BVI) and (in relation to those shareholders which are companies) their ultimate beneficial owners are Independent Third Parties. The above percentage figures have been subject to rounding adjustments. Accordingly, figures may not add up to the corresponding total due to rounding.

## HISTORY AND CORPORATE DEVELOPMENT

The following chart illustrates the shareholding structure and the corporate structure of our Group together with its associated companies immediately after the Reorganisation but prior to completion of the Placing and the Listing:

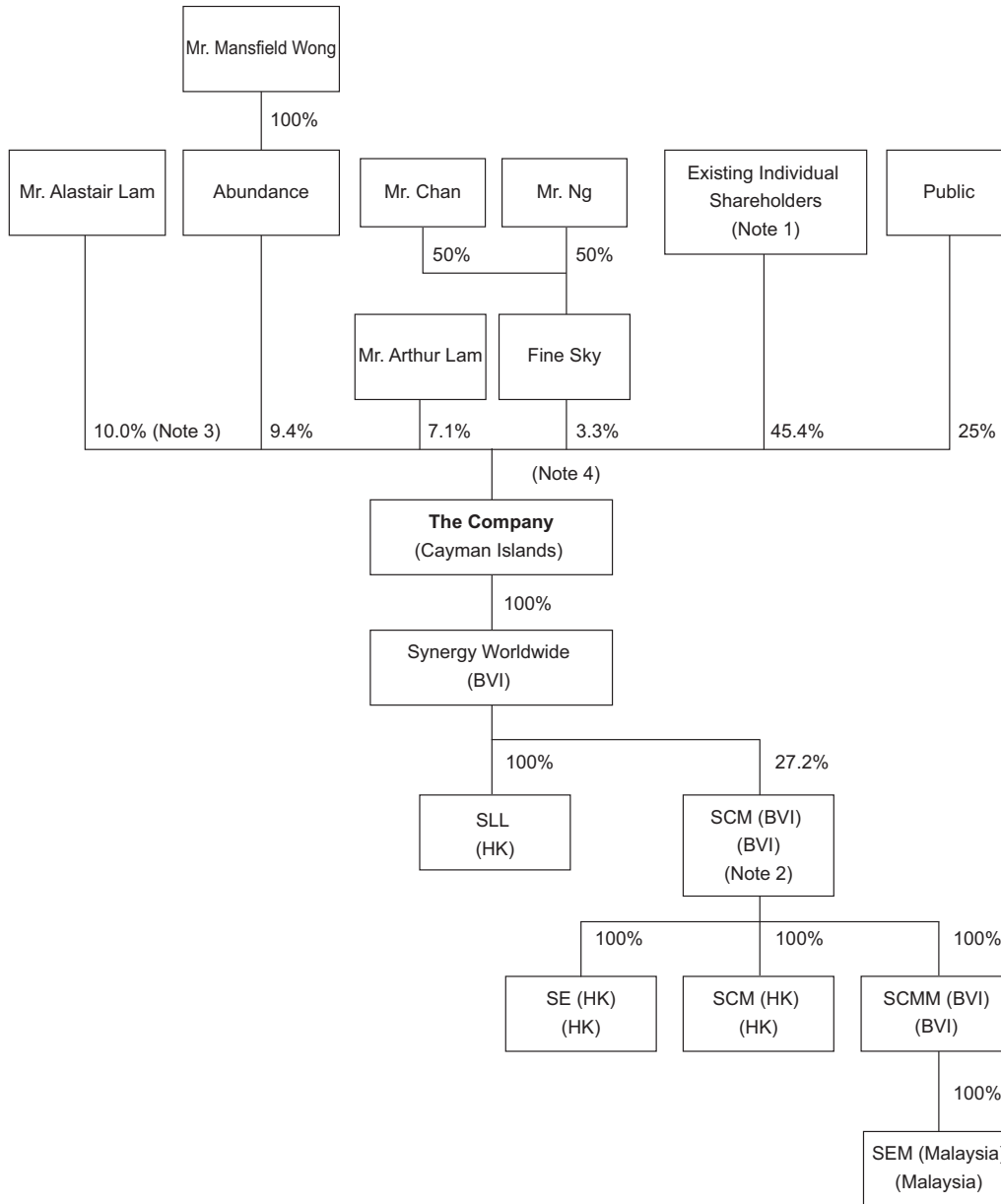


**Notes:**

- (1) Approximately 10.0%, 6.2%, 6.2%, 5.0%, 4.8%, 4.8%, 4.8%, 4.8%, 4.6%, 3.4%, 3.3%, 3.1%, 1.8% and 1.1% of our issued share capital were owned by Success Gold, Mr. Tong, Mr. Chow, Mr. Lau, Miss Cheng, Mr. Cheung, Mr. Sun, Mr. Chu, Miss Liu, Mr. HK Tsang, Sinochief, Mr. Paul Lam Jr, Mr. Kwan and Miss HY Tsang respectively. Sinochief is owned by Mr. Tang Kwok Cheung and Miss Zee Margaret in equal shares. Success Gold is wholly-owned by Miss Chan Yuk. The aforesaid percentage figures have been subject to rounding adjustments. Therefore, the aggregate shareholding of the Existing Individual Shareholders shown in the above chart of 64.1% may not be an arithmetic aggregation of such percentages figures.
- (2) All the Existing Individual Shareholders and, in relation to Sinochief and Success Gold, their ultimate beneficial owners are all Independent Third Parties. Each of Sinochief and Mr. HK Tsang also owns approximately 1.1% equity interest in SCM (BVI). None of the Existing Individual Shareholders or (in relation to those which are companies) their ultimate beneficial owners is a director of any member of our Group nor an associate of any connected person of our Company, nor will he or she be accustomed to take instructions from a connected person in respect of his or her Shares. The Existing Individual Shareholders are independent of each other.
- (3) SCM (BVI) is an associated company of our Group which is owned as to approximately 27.2% by Synergy Worldwide. For details of its other shareholders, please refer to Note 3 to the shareholding and group structure chart in page 91. The above percentage figures have been subject to rounding adjustments. Accordingly, figures may not add up to the corresponding total due to rounding.

## HISTORY AND CORPORATE DEVELOPMENT

The following chart illustrates the shareholding structure and the corporate structure of our Group together with its associated companies at Listing after completion of the Reorganisation and the Placing (assuming that no Shares have been issued pursuant to the exercise of any option that may be granted under the Share Option Scheme):



**Notes:**

- (1) The shareholding interest held by the Existing Individual Shareholders is owned as to approximately 8.3%, 3.2%, 3.2%, 4.2%, 4.0%, 2.5%, 1.5%, 4.0%, 3.8%, 2.8%, 2.8%, 2.6%, 1.5% and 0.9% of our issued share capital by Success Gold, Mr. Tong, Mr. Chow, Mr. Lau, Miss Cheng, Mr. Cheung, Mr. Sun, Mr. Chu, Miss Liu, Mr. HK Tsang, Sinochief, Mr. Paul Lam Jr, Mr. Kwan and Miss HY Tsang respectively. Sinochief is owned by Mr. Tang Kwok Cheung and Miss Zee Margaret in equal shares. Success Gold is wholly-owned by Miss Chan Yuk. None of the Existing Individual Shareholders or (in relation to those which are companies) each of their ultimate beneficial owners is a director of any member of our Group nor an associate of any connected person of our Company, nor will he or she be accustomed to take instructions from a connected person in respect of his or her Shares. The Existing Individual Shareholders are independent of each other.

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## HISTORY AND CORPORATE DEVELOPMENT

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- (2) SCM (BVI) is an associated company of our Group which is owned as to approximately 27.2% by Synergy Worldwide. For details of its other shareholders please refer to Note 3 to the shareholding and group structure chart in page 91.
- (3) The percentage shareholding of Mr. Alastair Lam in our Company immediately upon completion of the Placing rounded up to 2 decimal places is 9.96%.
- (4) The above percentage figures have been subject to rounding adjustments. Accordingly, figures may not add up to the corresponding total due to rounding.

Further Information about our subsidiaries and associated companies as at the Latest Practicable Date:

(a) Synergy Group Worldwide Limited (*subsidiary*)

Place of incorporation	BVI
Date of incorporation	8 August 2008
Public or private	Private
General nature of business	intermediate holding company
Authorised share capital	50,000 shares comprising 47,625 Class A shares and 2,375 Class B shares of US\$1.00 par value each
Issued share capital	22,608 Class A shares of US\$1.00 par value each
Attributable interest to our Company	100%

(b) Synergy Lighting Limited (*subsidiary*)

Place of incorporation	Hong Kong
Date of incorporation	3 December 2008
Public or private	Private
General nature of business	trading of lighting products, provision of Consultancy Services and leasing services
Share capital	HK\$100
Attributable interest to our Company	100%

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## HISTORY AND CORPORATE DEVELOPMENT

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(c) Synergy Cooling Management Limited (*associated company*)

Place of incorporation	BVI
Date of incorporation	1 April 2011
Public or private	Private
General nature of business	intermediate holding company
Authorised share capital	50,000 shares of US\$1.00 par value each
Issued share capital	18,400 share of US\$1.00 par value each
Attributable interest to our Group	27.2%

(d) Synergy Cooling Management (HK) Limited (*associated company*)

Place of incorporation	Hong Kong
Date of incorporation	21 April 2011
Public or private	Private
General nature of business	provision of cooling management solutions
Share capital	HK\$1
Attributable interest to our Company	27.2%

(e) Synergy Cooling ESCO (HK) Limited (*associated company*)

Place of incorporation	Hong Kong
Date of incorporation	11 June 2014
Public or private	Private
General nature of business	provision of energy management systems solutions
Share capital	HK\$1
Attributable interest to our Company	27.2%

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## HISTORY AND CORPORATE DEVELOPMENT

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(f) Synergy Cooling Management (Malaysia) Limited (*associated company*)

Place of incorporation	BVI
Date of incorporation	11 November 2013
Public or private	Private
General nature of business	intermediate holding company
Authorized share capital	Authorized to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each
Issued share capital	100 shares of US\$1.00 par value each
Attributable interest to our Company	27.2%

(g) Synergy ESCO (Malaysia) Sdn. Bhd. (*associated company*)

Place of incorporation	Malaysia
Date of incorporation	17 April 2014
Public or private	Private
General nature of business	operate the cooling management systems solutions in Malaysia
Authorized share capital	RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each
Issued share capital	100 shares of RM1.00 each
Attributable interest to our Company	27.2%

### 1. OVERVIEW

We are an integrated energy saving solutions provider based in Hong Kong, specialising in lighting solutions. We possess a full range of capabilities which allows us to provide a broad range of energy saving services for lighting solutions, ranging from advising on lighting solution, product customisation, on-site inspection and measurement, product sourcing, project deployment to after sales service. Depending on our customers' specific needs and requirements, we provide either a part of such services within our range of capabilities as specified by our customers to cater their needs under our trading of lighting products business or our Consultancy Services, or we provide an entire spectrum of services, as in the provision of our leasing services. According to the Ipsos Report, our business model is consistent with that of a typical energy service company within the industry and we are the fourth largest energy management contract provider for lighting projects in Hong Kong in terms of total revenue for the year ended 31 December 2013.

Our services is provided to a wide range of customers such as distributors, energy service companies, property management companies, car park operators, retail operators, banks and insurance companies. Among our customers or the end-users of our lighting products or energy saving solutions, many of them are reputable and/or multi-national companies which utilise relatively substantial amount of electricity in the properties which they manage or operate, such as office premises, shopping malls, residential properties, car parks, retail chains and restaurants, etc.. During the Track Record Period, we had customers from Hong Kong, Japan, Australia, Malaysia, Singapore and other overseas regions.

Depending on the range of services we offer to our customers, our business is broadly divided into three segments, namely, (i) trading of lighting products; (ii) provision of Consultancy Services; and (iii) provision of leasing services. The key aspects of our services provided for each of the three business segments are set out in the first table under the paragraph headed "Business model" in this section.

For an illustration of the various stages of our work showing the typical workflow in our trading of lighting products, provision of Consultancy Services and provision of leasing services respectively, please refer to the flow chart set out under the paragraph headed "Business model" in this section.

#### **(i) Trading of lighting products**

We provide our energy saving solutions by selling our lighting products, including our "Tube-in-Tube" Fluorescent Lamps, LEDs and induction lamps to our customers together with provision of support arrangement as depicted in the first table under the paragraph headed "Business model" in this section, which may include provision of our business and technical know-how and advice on lighting products, customisation and advice on lighting products specifications and providing training on sales and marketing techniques of our lighting products. Our trading customers are mainly overseas distributors. We enter into distribution agreements (both exclusive and non-exclusive) with our distributors, who have local knowledge and market information in their local markets. Complementary to delivery of our lighting products to our distributors, we also provide sales support and documentations so as to assist and facilitate them in engaging their energy saving business in their respective markets. Apart from our distributors, we may also occasionally enter into one-off sales contracts with our direct sales customers such as property management company and factory operator. We mainly sell our lighting products to them when they prefer direct purchase or, in the case of new projects, where past electricity consumption comparable is not available.

Our lighting products are priced with reference to a few factors including (i) electricity price; (ii) market acceptance of environmentally friendly lighting products in the relevant local markets; and (iii) the estimated revenues our customers may charge to their end customers for provision of energy saving solutions (if applicable). So far, we mainly sell our "Tube-in-Tube" Fluorescent Lamps, LEDs and induction lamps to our overseas customers.

### **(ii) Consultancy Services**

We also provide Consultancy Services which assist our Consultancy Services customers, who are energy saving consultancy services providers, in providing their services in their respective regions. We provide our Consultancy Services customers with the business and technical know-how relating to energy saving solutions. Leveraging on our technical know-how and experience in providing energy saving solutions in Hong Kong, our primary objective for provision of our Consultancy Services is to assist and facilitate our Consultancy Services customers in establishing their energy saving business and serve their customers in their designated markets. Each of the CS Contracts we entered into during the Track Record Period for provision of our Consultancy Services is project-based.

As depicted in the first table under the paragraph headed “Business model” in this section, our scope of Consultancy Services includes (i) the provision of business and technical know-how principally on energy saving and installation assessment; (ii) on-site inspection and measurement on our customers’ behalf at the targeted sites under the project; (iii) customisation and advice on lighting product specifications; (iv) issuance of measurement reports, analysis and carbon emission audit report showing the amount of savings if our suggested products are being used to replace the existing lighting products of the designated site of the end customers; and (v) the provision of marketing materials showing energy saving case studies, referrals and credentials.

Our Consultancy Services do not involve selling or leasing of our lighting products to our Consultancy Services customers or any third parties, but we will make recommendations on procurement and sourcing of lighting products from suitable suppliers including our OEMs and our short-listed suppliers. In the case if our “Tube-in-Tube” Fluorescent Lamps are the selected products, we will authorise our OEMs to supply the recommended quantity of such products to our Consultancy Services customers or their end customers directly. In return for our services rendered, we will charge our Consultancy Services fees with reference to our estimation on the revenue that our Consultancy Services customers may generate from their provision of energy saving solutions to their end customers.

### **(iii) Leasing services**

We provide our energy saving solutions by leasing our lighting products to our customers. As illustrated in the first table under the paragraph headed “Business model” in this section, our leasing services comprise a full range of services along the business value chain from advising on lighting solutions to provision of after-sales services. The contract which we enter into in respect of our leasing services is generally referred as EMC. Before we enter into EMCs with our customers, we provide on-site electricity consumption assessment using our calibrated measuring devices. Based on the on-site data we obtained, we propose different energy saving lighting products which comprise of our “Tube-in-Tube” Fluorescent Lamps and/or other lighting products to achieve electricity consumption savings for our customers.

The prominent features of our leasing services include (i) providing all of our energy saving lighting products at no initial costs to our customers with generally free installation; (ii) providing retrofit feature of our lighting products and generally does not require our customers to replace their existing lighting fixtures to use our lighting products; and (iii) during the term of the EMC, when our lighting products become faulty or spent and upon notification from our customers, providing replacement of lighting products to our customers. We generally sign three-year EMCs with our customers. During the term of the EMC, we charge a pre-determined fixed monthly leasing fee which represents a portion of the estimated savings on the customers’ electricity charges after replacing their existing lighting products with our proposed lighting products based on the assessment results. The pre-determined fixed monthly leasing fee will not be adjusted during the contract term unless (i) where the actual total energy saving per month is substantially less than the estimated total energy saving per month as set out in the EMC, in which case, failing remedial actions, we shall determine such shortfall and adjust downwards the



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monthly leasing fee accordingly; or (ii) in the event that the effective electricity unit rate actually charged under the electricity bill is increased or decreased by more than 5% when compared to the electricity unit rate at the time of entering into the EMC, the fixed monthly leasing fee will be adjusted correspondingly. If the saving performance cannot be achieved after the failure of our remedial actions, our customers are entitled to early terminate the EMC without any penalty payable to us.

The lighting products being offered to our customers under our leasing services include our “Tube-in-Tube” Fluorescent Lamps and/or other lighting products, which include LEDs and induction lamps.

Our customers in this business segment are mainly end-users of energy saving solutions, among which many of them are reputable and/or multi-national companies in Hong Kong, such as property management companies, car park operators, retail operators, banks and insurance companies, which utilise relatively substantial amount of electricity in the properties which they manage or operate, such as office premises, shopping malls, residential properties, car parks, retail chains and restaurants, etc.. As at the Latest Practicable Date, customers of our leasing services segment are mainly based in Hong Kong.

The table below sets forth the revenue generated by our Group’s trading of lighting products, Consultancy Services and leasing services, in absolute amounts and as a percentage of our Group’s total revenue, for the period indicated:

	Year ended 31 March				Six months ended 30 September	
	2013		2014		2014	
	HK\$’000	%	HK\$’000	%	HK\$’000	%
Trading of:						
“Tube-in-Tube” Fluorescent Lamps	25,058	35.4	33,304	41.7	13,164	34.8
Induction lamps <sup>Note</sup>	1,076	1.5	4,455	5.6	9,029	23.8
LEDs	1,045	1.5	4,300	5.4	970	2.6
Consultancy Services	34,992	49.4	27,856	34.8	10,503	27.8
Leasing services	8,672	12.2	10,020	12.5	4,181	11.0
Total	<u>70,843</u>	<u>100.0</u>	<u>79,935</u>	<u>100.0</u>	<u>37,847</u>	<u>100.0</u>

Note: Induction lamps include high bay lamps, flood lights and the relevant parts of such lighting products.

Our business strategies include:

- Further expand in the international markets through customisation of our lighting products and appointment of distributors
- Continue to expand in the PRC markets through offering our Consultancy Services or entering into strategic partnerships
- Continue to expand our energy saving solutions business in Hong Kong
- Engage in marketing activities to enhance our brand image and recognition
- Enhance our research and development capabilities

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## BUSINESS

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Our Group has long term strategies to develop energy saving business in the industry. During the Track Record Period, we have successfully provided our leasing services directly to the end customers in Hong Kong which attracted attention and interest from potential overseas customers. We successfully penetrated into various overseas markets, in which we mainly rely on our overseas distributors to provide energy saving solutions to their end customers.

Our Group had engaged a number of distributors for overseas markets and had successfully penetrated into their respective markets during the Track Record Period, with increasing demand for our lighting products which in turn led to an increase in our trading revenue. Our Directors believe that as the popularity of energy saving lighting products grows in the overseas markets, demand for our products will also increase and in turn would lead to continuous development of our trading of lighting products.

### **2. COMPETITIVE STRENGTHS**

We believe that the following competitive strengths are the key features to our success and will enable us to grow our business in the future.

#### **We have an established business model in providing customised and integrated energy saving solutions which is well recognised by our customers**

We have an established, proven business model as an all-round integrated energy saving solutions provider specialising in lighting solutions that is well recognised by our customers. According to the Ipsos Report, we are the fourth largest energy management contract provider for lighting projects in Hong Kong in terms of total revenue for the year ended 31 December 2013, accounting for approximately 5.8% of the total revenue of the industry in 2013, while the largest and second largest energy management contract providers have a share of approximately 17.8% and 13.6% respectively of the total revenue of the industry in 2013. We believe that our Group will be able to leverage on our established business model which we have received favourable market responses for our future growth. Our experiences in introducing, developing and promoting our energy saving solutions directly to large and renowned corporations in Hong Kong and through entering into distribution agreements, one-off sales contracts or CS Contracts with our customers in Hong Kong and other international markets coupled with our industry knowhow and experience will enable us to have a comparative advantage over other players in this industry with similar business model.

Our business model also enables us to enjoy flexibilities from low production costs. As we outsource the production of our “Tube-in-Tube” Fluorescent Lamps and high bay lamps to our selected OEM manufacturers and purchase our other lighting products which include mainly LEDs and flood lights from reputable manufacturers, we can minimise our investment costs in production facilities and equipment, this enable us to enjoy flexibilities in researching and developing new versions of our “Tube-in-Tube” Fluorescent Lamps, to minimise the risk that our production facilities will become obsolete and to better utilise our capital in financing our leasing services and trading business.

#### **Our “zero costs energy saving programme” under our leasing services business model is also well recognised by our customers**

As our leasing services do not require any upfront costs from our customers for the initial deployment and installation of our lighting products, who are only required to pay a pre-determined fixed monthly leasing fees which represent a portion of the savings on the customers’ electricity charges after retrofitting their existing lighting systems with our proposed lighting systems, our zero upfront strategy provides an attractive element for our customers to consider entering into EMCs with us. Moreover, we receive a fixed monthly fee throughout the term our EMCs which are generally of three years term, providing us with a stable and recurring income and cash flow which allows us to reduce our risks exposure during market fluctuations and economy downturn.

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### **We have a broad and stable customer base consisting of reputable and well-known companies**

Our services are provided to a wide range of customers such as distributors, energy service companies, property management companies, car park operators, retail operators, banks and insurance companies.

Our customers for our leasing services are mainly end-users of energy saving solutions, among which many of them are reputable and/or multi-national corporations which utilise substantial quantities of electricity in the properties which they manage or operate in, such as office premises, shopping malls, residential buildings, car parks, retail chains and restaurants, etc. and they are satisfied with our services and products provided. As at the Latest Practicable Date, we had more than 100 subsisting EMCs on hand with more than 50 corporate customers in Hong Kong. The customers of our trading of lighting products comprise mainly distributors, which cover about 15 jurisdictions during the Track Record Period, while we also entered into one-off sales contracts occasionally with non-distributors such as property management companies and factory operator. As for our Consultancy Services, our customers are energy saving consultancy services providers in their respective regions, who provide energy saving services in their respective regions.

We believe as a result of the successful track record of our energy saving solutions with our existing customers, we are able to maintain stable and long term relationship with them. In addition, as they have already become familiar with our energy saving solutions and satisfied with the results of the energy saving performances, we believe we will be able to develop further business opportunities with them in connection with energy savings for other sites and offices owned or managed by them.

Our ability to continue to expand our customer base is attributed to our successful track records, the deployment of lighting products with our industry knowhow and technology and our established market reputation and status. New business opportunities are therefore often referred by our Group's existing customers. We believe we will also be able to shorten our sales cycle with potential customers based upon our successful track records, technical expertise and market recognition.

### **We have in-depth technical expertise and experience, strong research and development capabilities and we own our patented "Tube-in-Tube" Fluorescent Lamp technology**

We possess in-depth technical expertise, know-how and industry experience over the years of our operations in providing integrated energy saving solutions to our customers specialising in lighting solutions. As a manifestation of our advanced knowledge and technical expertise, we are the patented owner of our "Tube-in-Tube" Fluorescent Lamp technology from which we have developed our proven energy saving product – "Tube-in-Tube" Fluorescent Lamps. As our "Tube-in-Tube" Fluorescent Lamp is a retrofit product, its installation does not require replacement of the existing lighting fixtures, it thus helps to reduce our upfront investment costs when we provide leasing services to our customers. Our retrofit product also creates a sustainable solution whereas most energy saving lighting solutions normally need restructuring and create material wastages, and hence are relatively more time consuming with higher costs.

We are committed in continued research and development for advancement of our lighting products and maintaining our advanced level of technical expertise within the industry. Our research and development department, which is led by Mr. Reinig, our research and development consultant with over 40 years of experience in the lighting industry, has made conscious efforts in upgrading our "Tube-in-Tube" Fluorescent Lamps and developing other lighting products to strive for better performance, compliance with the different standards and requirements of different overseas markets and to meet our customers' needs. Our Directors believe that our strong research and development capabilities would allow us to maintain a competitive advantage and further penetrate into new international and local markets as well as to comply with respective market standards. For further details of our research and development team and our proprietary technologies, please refer to the paragraphs headed "Research and development" and "Intellectual property rights" in this section.

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We believe we will be able to rely on our technical expertise and know-how, our technology, our proven product and our Research and Development team to further enhance and maintain our competitive advantage over potential and existing competitors.

### **We have a dedicated and professional senior management team**

Our senior management team, led by Mr. Mansfield Wong, our Chairman, Chief Executive Officer and an executive Director, has been instrumental in successfully developing and implementing our business strategy and business model as an integrated energy saving solutions provider. Mr. Mansfield Wong has over 10 years of management experience and possesses in-depth knowledge of the energy saving industry with a focus in lighting solutions. Mr. Mansfield Wong is assisted by our senior management team, including Mr. Arthur Lam (executive Director), who is a certified Carbon Audit Professional and a certified Energy Manager of The Association of Energy Engineers (Hong Kong Chapter), Mr. Cheng Chi Kuen (chief operation officer) and Mr. Tong Man Chun (chief financial officer and company secretary), which forms a professional senior management team experienced in corporate, strategic, technical, financial and business management. Please refer to the sections headed “Directors, senior management and staff – Executive Directors” and “Directors, senior management and staff – Senior management” in this prospectus for the detailed experience of each member of our senior management team.

We believe that we will be able to rely on our dedicated and professional senior management team to lead and steer our way in further developing and refining our business strategies and business model.

### **3. BUSINESS MODEL**

We provide integrated energy saving solutions with lighting products and lighting solutions to our customers. We possess a full range of capabilities which allows us to provide a broad range of energy saving services for lighting solutions, ranging from advising on lighting solution, product customisation, on-site inspection and measurement, product sourcing, project deployment to after sales service. Depending on our customers’ specific needs and requirements, we provide either a part of such services within our range of capabilities as specified by our customers to cater their needs under our trading of lighting products business and our Consultancy Services, or we provide an entire spectrum of services, as in the provision of our leasing services.

Our services is provided to a wide range of customers such as distributors, energy service companies, property management companies, car park operators, retail operators, banks and insurance companies. Among our customers, many of them are reputable and/or multi-national companies which utilise relatively substantial amount of electricity in the properties which they manage or operate, such as office premises, shopping malls, residential properties, car parks, retail chains and restaurants etc.. During the Track Record Period, we had customers from Hong Kong, Japan, Australia, Malaysia, Singapore and other overseas regions.

## BUSINESS

Depending on the range of services we offer to our customers, our principal business activities are categorised into three segments: (i) trading of lighting products; (ii) provision of Consultancy Services; and (iii) provision of leasing services. The key aspects of the services provided by us for each of the three business segments are set out in the table below:












	Trading of lighting products	Consultancy Services	Leasing services
<b>Contract entered by our Group</b>	<b>Distribution agreement, one-off sales agreement or purchase order</b>	<b>Consultancy Services agreement (i.e. CS Contract)</b>	<b>Energy Management Contract (i.e. EMC)</b>
Suggestion/advice on lighting products	✓	✓	✓
Customisation of lighting products	✓	✓	✓
On-site inspection and measurement	✓ (Note 1)	✓	✓
Deployment/installation of lighting products	✓ (Note 1)		✓
Provision of measurement reports, analysis, carbon emission reference and/or carbon emission audit reports		✓ (Note 2)	✓ (Note 3)
Lease/Sale of lighting products	✓	Note 4	✓
Replenishment of lighting products			✓
Training on sales and marketing techniques, including provision of documents (such as sample EMC, marketing materials, our Group's credentials and other information relating to energy saving business model)	✓	✓	
Product warranty	✓	✓ (Note 5)	✓

Notes:

- Such service is available upon our customers' request.
- Based on the information and data obtained during the site inspection, we will prepare measurements reports, pre-deployment case study and analysis and a carbon emission audit report signed by our Group's in-house certified carbon emission auditor for our customers showing the amount of savings if our suggested products are being used to replace the existing lighting products of the designated site of their end customers. These reports and analysis enable our customers to negotiate with the ultimate users or the owners of the site for entering into EMCs.
- Based on the information and data obtained during the site inspection, we will prepare measurements reports, pre-deployment case study and analysis and a copy carbon emission audit report for our customers as reference showing the amount of savings if our suggested products are being used to replace the existing lighting products.
- Our Consultancy Services do not involve selling or leasing of our lighting products to our customers or any third parties, but we will make recommendations on procurement and sourcing of lighting products from suitable suppliers. In the case if our OEM products are the selected products, we will authorise our OEMs to supply the recommended quantity of such products to our customers or their end customers directly.
- We will procure our OEMs and short-listed suppliers to provide warranty for lighting products recommended by us with the same warranty terms as those supplied to our Group.

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Set out below is an illustration of the various stages of our work, showing the typical workflow in our trading of lighting products, provision of Consultancy Services and provision of leasing services respectively:

	Responsible party		
	Trading of lighting products	Consultancy Services	Leasing services
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>1. Project initiation</b>                      – Obtain contact information                      – Initiate discussion                 </div>	N/A	our customer	our Group
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>2. Sales follow up</b>                      – Brief introduction of scope of leasing services                      – Send presentation/testimonial                      – Set up meeting                 </div>	N/A	our customer (with our assistance) (Note 1)	our Group
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>3. Initial sales presentation</b>                      – Product demonstration                      – Sales presentation                      – Introduction of leasing services (for leasing)/ lighting products                 </div>	our Group	our customer (with our assistance) (Note 1)	our Group
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>4. Entering into CS Contract</b>                      – Negotiation of terms of CS Contract                      – Signing of CS Contract                 </div>	N/A	our Group and our customer	N/A
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>5. Project trial run</b>                      – On-site inspection and measurement                      – Identify deployment issues                 </div>	our Group (upon customer's request)	our Group (on behalf of our customer)	our Group
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>6. R&amp;D customisation</b>                      – Product development &amp; customisation                      – Fulfill specific needs                      – Advice/recommendation on lighting products                 </div>	our Group	our Group (on behalf of our customer)	our Group
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>7. Client proposal &amp; signing of leasing services contract</b>                      – Energy saving proposal + carbon audit                      – Product recommendation                      – Contracting (negotiating on terms and conditions + saving sharing ratio)                 </div>	N/A	our customer (with our assistance) (Note 2)	our Group
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>8. Product sourcing</b>                      – Source &amp; order lighting products recommended by our Group and confirmed by customer                 </div>	our Group	our customer (with our assistance) (Note 3)	our Group
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>9. Project deployment</b>                      – Coordinate with site manager                      – Identify schedule and any deployment issues                 </div>	our Group (upon customer's request)	our customer	our Group
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>10. Monthly billing</b>                      – Upon deployment completion                      – Issue monthly invoice                 </div>	N/A	our customer	our Group
 <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>11. After sales services</b>                      – Periodical measurement if needed                      – Spare stock replenishment upon request (for leasing)                 </div>	our Group	our customer	our Group
<div style="border: 1px solid black; padding: 5px;"> <b>12. Product warranty</b>                      – Warranty for products                 </div>	our Group	our Group (with our assistance) (Note 4)	our Group

## BUSINESS

Notes:

1. We assist our Consultancy Services customers through the provision of EMC framework, sample marketing materials, our credentials and other information relating to energy saving solutions.
2. We prepare and provide an energy saving lighting solutions proposal to our customers to assist them to prepare their proposal to their end customers. We also deliver carbon emission audit report signed by our Group's in-house certified carbon emission auditor for our customers showing the amount of savings if our proposed products are being used.
3. We will make recommendations on procurement and sourcing of lighting products from suitable suppliers. If our OEM products are the selected products, we will authorise our OEMs to supply the recommended quantity of such products to our customers or their end customers directly.
4. We will procure our OEMs and short-listed suppliers to provide warranty for lighting products recommended by us with the same warranty terms as those supplied to our Group.

The table below sets forth the revenue generated by our Group's trading of lighting products, Consultancy Services and leasing services, in absolute amounts and as a percentage of our Group's total revenue, for the period indicated:

	Year ended 31 March				Six months ended 30 September	
	2013		2014		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Trading of:						
"Tube-in-Tube" Fluorescent Lamps	25,058	35.4	33,304	41.7	13,164	34.8
Induction lamps <sup>Note</sup>	1,076	1.5	4,455	5.6	9,029	23.8
LEDs	1,045	1.5	4,300	5.4	970	2.6
Consultancy Services	34,992	49.4	27,856	34.8	10,503	27.8
Leasing services	8,672	12.2	10,020	12.5	4,181	11.0
Total	<u>70,843</u>	<u>100.0</u>	<u>79,935</u>	<u>100.0</u>	<u>37,847</u>	<u>100.0</u>

Note: Induction lamps include high bay lamps, flood lights and the relevant parts of such lighting products.

### (1) Trading of lighting products

We possess a full range of capabilities which allows us to provide a broad range of energy saving services for lighting solutions as depicted in the first table under the paragraph headed "Business model" in this section. It is our principal business strategy to offer our full spectrum of services to our customers. However, in cases where our customers only require certain aspects of our chain of services offerings, among which include purchasing of our lighting products and do not require our full-range leasing services, we engage in trading of lighting products with those customers.

When we provide our energy saving solutions by selling our lighting products, we also provide support arrangement to our customers which may, depending each customer's specific needs and requests, include the provision of our business and technical know-how and advice on lighting products, customisation and advice on lighting products specifications and providing training on sales and marketing techniques of our lighting products, as depicted in the first table under the paragraph headed "Business model" in this section.

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## BUSINESS

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Our customers for trading of lighting products are mainly overseas distributors, which may be energy service companies based in other jurisdictions or trading companies, but we also sell our lighting products occasionally to our direct sales customers. For further information of our distributors, please refer to the paragraph headed "Our distributors" in this section. We enter into distribution agreements (both exclusive and non-exclusive) with our distributors, and we enter into one-off sales contracts with our direct sales customers such as property management companies and factory operator. We mainly sell our lighting products to our direct sales customers when they prefer direct purchase, or where past electricity consumption comparable is not available.

### ***Our support arrangement for our trading customers***

To (i) assist, enable and prepare our distributors to conduct their business of promoting and selling our lighting products in their respective targeted markets; and (ii) provide energy saving lighting solutions to our direct sales customers who wish to engage our services without leasing our products for reason such as absence of past electricity consumption comparables which renders our leasing services model less appropriate or less preferable, we provide various support arrangement to selling of our lighting products to our customers. Depending on the specific needs and requests of our customers, our services to our trading customers may include any or all of the following:

- (a) advising on product specifications – we will advise our customers on suitable product specifications for the project/lighting system and make recommendations on procurement and sourcing of lighting products from suitable suppliers, including our subcontracting OEMs and our short-listed suppliers. We will also procure our OEMs and short-listed suppliers to provide warranty for lighting products recommended by us with the same warranty terms as those supplied to our Group;
- (b) R&D customisation – upon request of our customers, we will carry out research and development and design suitable lighting products for our customers, if existing lighting products are not suitable;
- (c) on-site inspection and measurement – upon request of our customers, we will carry out on-site inspection and measurement to obtain necessary information and data to prepare for lighting solutions proposal to our customers consisting of the recommended lighting products, the recommended number of lighting products, the estimated savings and the estimated amount of reduction in carbon emission;
- (d) Sales and marketing support – where required by our distributors, we will provide sales support to them on the products we sold as some of our distributors may provide services to their customers similar to our energy saving solutions. Such services include:
  - providing training on sales and marketing techniques to the staff of our distributors, such training being conducted in Hong Kong. Our distributors would come to our office from time to time to discuss with us the matters relating to their businesses in their targeted markets. We also have close contacts and frequent communications with our distributors by means of telephone discussions and email correspondences;
  - providing sample EMC framework, sample marketing materials (such as marketing brochure), our credentials and other information relating to energy saving solutions to assist our customers or their end-users in their own energy saving business. Our customers or their end-users may be authorised to make reference to our credentials as case studies when they carry out their own marketing; and
  - providing assistance to our distributors in conducting sales activities, and presenting and promoting energy saving solutions to their customers by sending personnel of our Group to their relevant markets where requested by our customers;
- (e) Upon customers' request, we provide assistance to our customers in obtaining the necessary consent, licence, permits, approvals and authorisations from the relevant government or regulatory body if required.



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## BUSINESS

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### ***Revenue contribution***

During the two years ended 31 March 2014 and six months ended 30 September 2014, the revenue contribution from trading of our lighting products accounted for approximately 38.4%, 52.7% and 61.2% respectively of our Group's revenue. Our Directors expect that the revenue contribution from our trading of lighting products will continue to grow after the Track Record Period due to the increasing demand for energy saving solutions in lighting products. Our Directors consider that the increase in the demand for our Group's lighting products can be attributable to:

- (i) increased market awareness of our services and products offerings by attending international trade fairs and lighting exhibitions;
- (ii) our successful track record in providing energy saving solutions in Hong Kong;
- (iii) the credentials from our leasing services customers which are reputable and/or multi-national corporations in Hong Kong;
- (iv) our industry knowhow and capability with our energy saving lighting products, in particular our "Tube-in-Tube" Fluorescent Lamp technology;
- (v) the acceptance of energy saving solutions by our distributors and end-users; and
- (vi) the fact that our distributor's local electricity unit rate is usually higher than that of Hong Kong.

According to the information provided by our distributors, our Directors believe that a substantial portion of our products shipped to our distributors during the Track Record Period had already been sold or used in their business. Accordingly, our Directors consider that the growth of our trading of lighting products during the Track Record Period was principally a result of growing demand of our products and our customers' business plannings and requirements rather than the over-accumulation of inventories by them.

### ***Our distributors***

Our distributors principally came to know us through referrals by our existing customers or business partners. The length of our business relationship with our distributors ranged from approximately one year to three years. We engaged our first distributor (a Denmark non-exclusive distributor) in 2011, and gradually engaged other distributors and expanded our distributors network. Our Group's overseas distributors mainly include lighting company, trading companies and real estate and property management company and some of them provide energy saving solutions in their respective local markets by leasing and/or selling our Group's lighting products to their end customers. Our lighting products are sold to a wide range of end customers, including but not limited to property management company, supermarket chain operator and airport maintenance service provider, and they have been deployed in places, such as commercial buildings, retail shops, supermarkets, international airport, located in Hong Kong, Macau, Singapore, Japan, Australia, as well as other places overseas.

Our Group usually takes four months to nine months to negotiate with potential distributors before entering into agreements with them, so as to (i) let them have a thorough understanding of our energy saving solutions and let them assess their ability to promote the energy saving business in their regions before they sign any distribution agreements with our Group; and (ii) let us have sufficient time to understand the background of potential distributors and assess their capability and suitability as our distributors. For our exclusive distributors, we set a minimum purchase target which protects our return and provides certainty to the trading volume in specific regions. Generally, if our exclusive distributors during the term of the distribution agreements failed to fulfil the minimum purchase target, we have the right to appoint any other third party as our distributors for the relevant markets or we may terminate such distributorship agreement. On the other hand, most of the distribution agreements provide that if an exclusive distributor can meet the minimum purchase target, the term of the distribution agreement shall automatically be extended for a further term.

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In order for us to consider exploring suitable overseas markets, we have several criteria. The market should generally be: (a) a market with higher electricity unit rate than Hong Kong, (b) a country with high potential of retrofitting to be applied to existing lighting systems, (c) a country with higher demand in reducing energy consumption and carbon emission because of community awareness, governmental policy or private sectors initiatives; and (d) a politically and economically stable country.

A suitable distributor would be essential as our Group will be relying on our distributor to provide the necessary information as to all aspects of that overseas market, such as consumer habits, requirements of lighting products, and rules and regulations for conducting trading there. However, if a potential distributor who does not have prior business engagement in energy saving lighting industry before its appointment as our distributor, but who has the local knowledge and market information in their local market, we would still consider appointing it as our distributor. Also, we prefer but not a must that distributors to have some Hong Kong connection (such as an office or a representative or bank accounts in Hong Kong) or have some knowledge in Hong Kong's business culture as we consider that could facilitate better understanding between our distributors and us, which could enhance business relationship with our distributors.

Before we grant a distributorship to a potential distributor, we will discuss with each of them their requirements as to lighting products and obtain information about any specific regulatory compliance matters for the relevant overseas markets. Once we obtained details of their requirements, our Research and Development Department will research, develop and customise our lighting products in accordance with their specific requirements. Samples will be provided to the distributors for testing and where applicable, we will obtain necessary compliance certificates or licenses for the relevant overseas markets.

When the distributors and our Group are satisfied that the lighting products have met the necessary requirements and customisation, we will then negotiate the terms of the distributorship agreement. However, taking into account the special circumstances of each case, we may also enter into one-off sales contract or purchase order with our overseas customers.

As at the Latest Practicable Date, we have six exclusive distributorship agreements for seven countries, namely Fiji, Australia and New Zealand, Singapore, Japan, Sri Lanka and Indonesia and two non-exclusive distributorship agreements for two countries (namely Denmark and Thailand). All our overseas distributors are Independent Third Parties, out of which one is an individual and the others are corporations.

The table below shows the turnover rate of our distributors during the Track Record Period.

	Year ended 31 March						Six months ended 30 September		
	2013			2014			2014		
	No. of appointment	No. of termination	Total	No. of appointment	No. of termination	Total	No. of appointment	No. of termination	Total
Overseas distributors	2	↑(Note 1)	7	2	↑(Note 2)	8	-	-	8

**Notes:**

- Our Group terminated the exclusive distribution agreement with the distributor for the regions of Sri Lanka and Maldives in 2013 after the distributor had breached the terms of the exclusive distribution agreement in not ordering the agreed quantities of lighting products. Our Group has entered into another exclusive distribution agreement with another distributor in Sri Lanka in May 2013.
- The exclusive distribution agreement entered into between our Group and the distributor in Malaysia was terminated upon expiry in March 2014. Such agreement was not renewed as the distributor wanted to devote his time to other business.

It has been our Group's strategies in entering into overseas markets by appointment of distributors who have local knowledge and marketing information in their respective local markets. Our Group will continue to adopt such expansion strategies after Listing. Our Group relies on our overseas distributors (in particular the exclusive distributors) to gauge the demand of our Group's products in the respective overseas markets.

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We are currently exploring other markets and have been in negotiation with potential distributors. Please refer to the diagram showing our major footprints in the world during the Track Record Period and up to the Latest Practicable Date.



\* As at the Latest Practicable Date



**P Worldwide Patents\***

Australia | Canada | Hong Kong | India | Indonesia | New Zealand | Philippines  
Russian Federation | Singapore | South Africa | South Korea | USA | Vietnam


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## BUSINESS

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### ***Managing potential competition between our Group and our distributors***

Pursuant to the terms of the distribution agreement between our Group and our distributors, our distributors agree and undertake that within 12 to 24 months after termination of the distribution agreement, they shall not engage any party or conduct any business similar to or competing with the present business of our Group without the written consent of our Group. We believe that during the non-compete period we would be able to adequately manage the potential competition in the jurisdiction of our overseas distributors by setting up or strengthening our business in the relevant jurisdiction (either directly or by engaging a new distributor in the relevant jurisdiction), so that even if the previous distributor should carry on a competing business with different products after the expiry of the non-compete period, our Group would not be at a substantial disadvantage.

Moreover, since our trademark “” has generally been applied to the lighting products we sell to our distributors, our Group would have already been able to establish our presence in the relevant local markets of our respective overseas distributors or end customers during the term of our distributorship agreements. Under such circumstances, we believe it would be easier for us or our new distributor to establish the same level of business, market presence and reputation in the relevant jurisdiction even after the termination of the distributorship agreements, as we believe that end customers would prefer to use our products which are existing and proven products, over new products. Our Directors believe that the risk of competition between our Group and our distributors, which in turn may affect our business and financial performance, will be minimised.

### ***Principal terms of the distributorship agreement***

We have adopted a standard procedure to review and approve distributorship agreements with our distributors worldwide. However, the terms of the distributorship agreements may vary on a case-by-case basis subject to the local market situation and results of negotiation with our distributors.

The principal terms of the distributorship agreements may include:

- (a) exclusivity – our Group may grant exclusive or non-exclusive distribution rights to our distributors, and when we grant exclusive distributorship to our distributors, they are required to commit a minimum purchase target of our products;
- (b) pricing policy – there is generally no pricing policy restrictions nor pricing benchmark for our distributors to sell our lighting products in the relevant jurisdiction;
- (c) distributorship fee – we do not charge any distributorship fee;
- (d) commission policy – in general, neither our Group nor our distributors receive or pay any commission to each other;
- (e) payment terms – our Group usually requires down payment of 30% to 50% for each order placed, and for balance of payment, we usually grant 0 to 90 days credit terms to our distributors upon shipment;
- (f) minimum purchase target – our Group will set minimum purchase targets for our exclusive distributors during the term of the agreement. Other than that, we do not set any other sales target for our distributors;
- (g) defective goods – any defective goods may be returned to our Group for replacement within our warranty period, which is usually two to three years from the time of shipment;
- (h) duration – our Group usually enters into distributorship agreements with our distributors for a fixed term of two or three years, and renewal will be subject to further negotiation shortly before the expiry of the original term;

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- (i) confidentiality and knowhow – the distributors are not allowed to modify any of the lighting products of our Group or otherwise such modified products will not be protected under our warranty and they are not allowed to disclose any confidential information provided by our Group;
- (j) termination – the distributorship agreements may be terminated by our Group by serving written notice to the distributors in certain adverse situations as stated in the relevant distributorship agreements;
- (k) non-competition – it would be one of our criteria that the distributor would not be allowed to engage any party or conduct any business similar to or compete with the present business of our Group within 12 or 24 months after termination of the agreement;
- (l) obsolete stock arrangements – there is no obsolete stock arrangements between our Group and our distributors; and
- (m) use of our Group’s trade name and logo – our Group generally authorises our distributors to incorporate our Group’s trade name, our patents for “Tube-in-Tube” Fluorescent Lamp technology and our logo into their respective marketing materials to be used in their respective local markets.

Our Group does not have a sales return policy allowing our distributors to return any unsold goods to us. Thus, our distributors are not required to report their sales/inventory forecast/estimates to our Group. Our distributors can only return defective goods to us for replacement within the warranty period. During the Track Record Period and up to the Latest Practicable Date, approximately 1,000 pieces of lighting products in relation to our trading business were submitted to our Group for replacement.

Our Group cannot ascertain whether it is the industry norm to adopt a distributorship model. One of the key aspects of the distribution agreements we entered into with our distributors involve our Group providing sales support and documentations to our distributors, which assist and facilitate them in engaging their energy saving business. Moreover, our distributors are required to purchase our lighting products with no sales return policy. Our Directors believe that these key aspects would distinguish us from other general “distributorship model”.

### ***Trading products***

So far, we mainly sell our “Tube-in-Tube” Fluorescent Lamps, LEDs and induction lamps to our trading customers.

The table below sets forth the type of lighting products sold to our customers in the trading segments (including distributors and our direct sales customers), in absolute amounts and as a percentage of the total number of lighting products sold, for the period indicated:

	Year ended 31 March				Six months ended 30 September	
	2013		2014		2014	
	Number of pieces	%	Number of pieces	%	Number of pieces	%
“Tube-in-Tube” Fluorescent Lamps	202,204	97.3	264,077	95.5	105,589	91.1
Induction lamps <sup>Note</sup>	618	0.3	2,903	1.0	5,283	4.6
LEDs	4,993	2.4	9,583	3.5	5,023	4.3
Total	<u>207,815</u>	<u>100.0</u>	<u>276,563</u>	<u>100.0</u>	<u>115,895</u>	<u>100.0</u>

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The following table sets forth the average unit selling price for the lighting products offered by the Group during the Track Record Period:

	Year ended 31 March		Six months ended 30 September
	2013	2014	2014
	HK\$	HK\$	HK\$
Tube-in-Tube Fluorescent Lamps	124	126	125
Induction lamps <sup>Note</sup>	1,741	1,535	1,709
LEDs	209	449	193

Note: Induction lamps include high bay lamps, flood lights and the relevant parts of such lighting products.

Our Group is of the view that it is the distributors' obligations to comply with the relevant laws and regulations in their corresponding jurisdictions as our Group does not conduct or run any business in any overseas region where our distributors distribute the energy saving products. We sell our lighting products directly to our overseas distributors (other than our Sri Lanka distributor) on FOB (HK) basis or FOB (China) directly from our OEM manufacturers for commercial reasons. Our overseas distributors (other than our Sri Lanka distributor) are responsible for the export from Hong Kong or China, and import and custom clearance into the overseas markets. We sell our lighting products to our Sri Lanka distributor on CIF Port Colombo basis. We are responsible for export from China and our Sri Lanka distributor is responsible for import and custom clearance into Port Colombo. The title and risk of the products pass at shipping point or at port of destination. In either of the above cases, our Group is not responsible for import and custom clearance into the relevant jurisdiction of our distributors. Our Group records sales in our accounts whenever shipment is made to our overseas distributors.

Our distributors would independently conduct the business of distributing and selling the products to their own customers. It is their obligations to ensure that the laws and regulations in the corresponding jurisdictions are complied with in carrying on their business.

### (2) Consultancy Services

We provide project-based Consultancy Services to our customers, which are energy saving consultancy services providers, in providing their services in their respective regions.

Our Consultancy Services is leveraging on our energy saving experience in Hong Kong, details of which are set out in the paragraph headed "Leasing services" in this section. After we have become successful in our energy saving solutions in Hong Kong where our existing leasing services customers have written letters of appreciation praising our energy saving solutions, coupled with our promotion and marketing campaigns such as attending exhibitions and writing articles in magazines, we have attracted interests from potential customers in our energy saving solutions.

As depicted in the first table under the paragraph headed "Business model" in this section, our scope of Consultancy Services includes (i) the provision of business and technical know-how principally on energy saving and installation assessment; (ii) on-site inspection and measurement on our customers' behalf at the targeted sites under their projects; (iii) customisation and advice on lighting product specifications; (iv) issuance of measurement reports, analysis and carbon emission audit report showing the amount of savings if our suggested products are being used to replace the existing lighting products of the designated site of our customers' end customers; and (v) the provision of marketing materials showing energy saving case studies, referrals and credentials. We do not provide any of such services directly to the end customers of our Consultancy Services customers.

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Our Consultancy Services do not involve selling or leasing of our lighting products to our customers or any third parties, but we will make recommendations on procurement and sourcing of lighting products from suitable suppliers including our OEMs and our short-listed suppliers. In the case if our “Tube-in-Tube” Fluorescent Lamps and/or high bay lamps are the selected products, we will authorise our OEMs to supply the recommended quantity of such products to our customers or their end customers directly. Through conducting site visits at the targeted sites under the CS Contracts and advising on product specifications, we recommend the type and quantity of lighting products required by such end customers for such sites, and no authorisation will be given to our OEMs for selling lighting products to such end customers for such type and/or quantity beyond our recommendation. In any event, our Directors believe that the end customers in the PRC will not enjoy any profitability advantage by reselling our lighting products procured from our OEMs to Hong Kong after taking into consideration of sales markup and logistic cost.

As advised by our Consultancy Services customers, their businesses generate revenue through sharing an agreed proportion of the saved electricity fee with their respective end customers in the PRC. In return for our services rendered, we will charge our Consultancy Services fees with reference to our estimation on the revenue that our customers may generate from their provision of energy saving solutions to their end customers as recommended by our reports which are prepared with consideration of the prevailing electricity charge rate in the PRC and the number of lighting products to be used. Other than our Consultancy Services fees, we do not share any portion of the revenue to be generated by our Consultancy Services customers from their end customers.

In order to minimise possible competition with our Group’s energy saving solutions in Hong Kong and the risk of our lighting products becoming available in the retail market in Hong Kong through legitimate or illegitimate channels, we do not sell our lighting products to potential customers in the PRC, and the end customers of our Consultancy Services customers can only purchase our Group’s lighting products through our Consultancy Services customers with our authorisation given to our OEMs in our recommended quantity. Instead, we only offer the Consultancy Services to our customers who are engaged in or are developing their own energy saving businesses in regions of China where they have or are developing their customer bases. Up to the Latest Practicable Date, we had provided Consultancy Services to two customers for projects located in Guangzhou, Shantou, Zhongshan, Shenyang and Zhuhai, the PRC.

Our two Consultancy Services customers are energy saving consultancy services providers. During the Track Record Period, we had certain business relationship with the associates of one of our Consultancy Services customers, Well Spread. For further information relating to the relationship between our Group and the associates of Well Spread, please refer to the section headed “Relationship with Well Spread” in this prospectus.

We entered into four contracts, two contracts and nil contract with Well Spread for the financial years ended 31 March 2013, 2014 and for the six months ended 30 September 2014 respectively. During the Track Record Period, CS Contracts which amounted to approximately HK\$62.8 million in aggregate were entered into between our Group and Well Spread for various sites in Guangzhou, Zhongshan, Shantou and Shenyang, the PRC. In addition, after the Track Record Period and up to the Latest Practicable Date, we have a confirmed order of contract sum of HK\$9.5 million from Well Spread with expected deployment in certain sites in Zhongshan, the PRC.



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The other customer for our Consultancy Services (“Customer F”) is a Macau based company which is principally engaged in the provision of electrical and mechanical engineering services and energy saving consultancy services, and an Independent Third Party. It was established in Macau in 2003 with around 30-40 staff. To the best knowledge of our Directors, it was wholly beneficially owned by an individual, an Independent Third Party who has over 25 years of experience in electrical and mechanical engineering in Macau and the PRC, and became acquainted with our Group in around 2013 through a leasing services customer of our Macau joint venture partner. As advised by Customer F, its end customers for our Consultancy Services are mainly factories and education institutions located in the PRC, and the number of Tube-in-Tube Florescent Lamps involved in each relevant contract between Customer F and its end customer ranged from around 10,000 to 20,000. Our Directors confirmed that they were not aware of Customer F having any past or present relationship (including without limitation business, family, trust, employment relationships or otherwise) with our Company, our subsidiaries, our Shareholders, directors and senior management or any of their respective associates. As advised by Customer F, it does not have any relationship with Well Spread. During the Track Record Period, we only entered into one CS Contract with Customer F during the six months ended 30 September 2014 which amounted to approximately HK\$10.5 million for various sites (including factories and education institutions) in Zhuhai, the PRC.

Having considered, among others, that (i) the existing lighting equipment used by the targeted end customers of our Consultancy Services customers in the PRC are mainly non-energy efficient lighting products; (ii) the electricity charge rate in the PRC is not lower than that in Hong Kong; and (iii) based on our on-site inspection and measurement at and our energy saving analysis regarding our customers’ targeted sites under their projects, we fully understand the revenue and profit potential for such projects, our Directors believe that our Consultancy Services customers will have a sustainable and profitable business of leasing services in the PRC by applying our established, proven business model of provision of leasing services in Hong Kong as recommended by our Group.

Our Group generally took four to five weeks’ time to complete the CS Contracts. As at the Latest Practicable Date, all of the aggregate Consultancy Services income for the Track Record Period of approximately HK\$73.4 million was settled. Our Directors believe that given (i) the continuous and stable business relationship between our Group and Well Spread, and the continuing payment pattern and past settlement record of this particular customer, and (ii) the due diligence on and site visits at the offices of Customer F and the size of its end customers, there is no recoverability problem of the receivables.

Our Group’s Consultancy Services was not provided regularly during the Track Record Period. The main reason for this was that the lead time for securing the end customers to commencement of billings or for completion of the sale and purchase of the lighting products usually takes around seven to nine months according to our Group’s experience. Our Directors are of the opinion that as our customers gain experience on providing energy saving solutions, its lead time for securing end customers are expected to be shortened in the future.

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Since any potential customer of our Consultancy Services, who may become interested in our energy saving business, may become our competitors, we have several selection criteria for our Consultancy Services customers and we have imposed certain contractual restrictions which minimise the chances of competition, if any. Firstly, the targeted markets of our Consultancy Services customers should not be in a market where our Group has presence or plan to expand our business into the near future or where we already have exclusive distributors. At the time when our Group first provided Consultancy Services to Well Spread, our first Consultancy Services customer, although we did not then have our own PRC presence, we had the intention to expand our business into the PRC. We believe that the market potential in the PRC is huge, hence, we entered into CS Contract with our second Consultancy Services customer in August 2014 so long as our Consultancy Services customer agrees to be bound by the contractual restrictions as set out in the CS Contracts, whereby we consider the risk of competition between our Group and our Consultancy Services customers and/or among our Consultancy Services customers would be minimised. Thus, our Group was willing to provide Consultancy Services to customers who intended to enter into the PRC market.

Pursuant to the terms of the CS Contracts, our customers have to agree and undertake that during and within a period of five years upon signing of the CS Contracts, they shall not, without engaging us as their consultant or business partner, enter into, or offer similar consultancy services that may compete with our Group. The non-competition covenants given by any Consultancy Services customer to our Group in respect of similar business and competing similar consultancy services refer to (a) provision of consultancy services that are similar to the consultancy services provided by our Group to it, its end customers in the PRC, and other customers of our Group in the PRC, primarily relating to energy efficient lighting system and energy management consulting solution services; (b) provision of energy efficient lighting systems and energy management consulting solutions; and (c) other activities that may compete with the above businesses, using the confidential information obtained from our Group in the course of provision of the Consultancy Services by our Group to our Consultancy Services customer and its end customers in the PRC.

Our Directors are optimistic and believe that our Consultancy Services customers would continue to enter into further CS Contracts with us in the future for the following reasons:

- (1) We believe that our Consultancy Services customers have confidence in our Group's track records and credential gained mainly in Hong Kong. As an early energy savings services provider in Hong Kong, we have 104 EMCs on hand as at 30 September 2014. Our leasing services customers include reputable and/or multi-national corporations in Hong Kong, including a supermarket chain, a major car park operator, major building management companies and other well-known companies. According to our experiences in dealing with these leasing services customers, they require not only quality products but also quality services and they have been prudent in choosing their suppliers. We have gained the trust of our leasing services customers and many of them have endorsed our products and services provided. Our successful track records in being able to serve these large-sized corporations in Hong Kong, building a long-term business relationship with them and gaining their endorsements are self-explanatory, which give confidence to our Consultancy Services customers as well as their end customers in the PRC;
- (2) Our Group's expertise and know-how in the provision of energy saving solutions enables our Consultancy Services customers to rely on our existing resources and capabilities in assisting them in the provision of energy saving lighting solutions to their own customers. The Consultancy Services we provide to our customers include provision of EMC framework, sample marketing materials, our credentials and other information relating to energy saving solutions. Moreover, we also assist and on our customers' behalf carry out the Project Trial Run stage (including provisions of measurement reports, analysis and carbon emission audit reports) and the R&D Customisation stage for their energy saving solutions which are

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generally project-oriented and require certain level of skills and technical knowledge of lighting products. Our services and our EMC documents are the guidebook to our Consultancy Services customers to enable them to carry out the other stages of their own energy saving solutions. Details of our services provided under our Consultancy Services are set out above in this section. We believe that having engaged our Consultancy Services, our Consultancy Services customers do not have to maintain a full team of staff in-house to compile and update marketing materials, except for profile of their own customers or conduct researches as to updated information relating to energy saving solutions, or to keep a team of technical and qualified personnel and the relevant equipment to carry out the Project Trial Run stage and R&D Customisation stage;

- (3) Our Consultancy Services customers have agreed to the non-competition covenants as contained in the CS Contracts. As mentioned above, according to the terms of the CS Contracts, within a period of five years upon signing of the CS Contracts, our Consultancy Services customers shall not enter into or offer similar consultancy services that may compete with our Group. They can only enter into or offer similar consultancy services by entering into further CS Contracts with our Group. We believe our customers' willingness to be bound by the non-competition covenants could be demonstrated by their entering into of the CS Contracts with our Group during the Track Record Period; and
- (4) Our Consultancy Services customers are not able to source our Synergy-branded lighting products, including our "Tube-in-Tube" Fluorescent Lamps, without our authorisation. Although the patent of the "Tube-in-Tube" Fluorescent Lamp technology in the PRC has expired and falls into the public domain, it does not mean our Synergy-branded products can be sourced without our authorisation. With our continued efforts in research and development, our Synergy-branded lighting products have been upgraded and there have been improved technical specifications for the latest generation of our Synergy-branded lighting products which make it more competitive than the previous generations. With the confidentiality agreements entered into between us and our OEMs, our Consultancy Services customers would only be able to source our Synergy-branded lighting products with our authorisation for purchase related to the CS Contracts.

Our customers for Consultancy Services and their end customers may not have experience in energy saving lighting business, but the customers for Consultancy Services should have general knowledge as to the energy saving lighting business of its targeted markets. Our Consultancy Services assist and facilitate our Consultancy Services customers to enter into the energy saving business, by way of provision of leasing services by them in their targeted markets.

During the Track Record Period, our Group did not provide our leasing services by entering into EMC directly with customers in the PRC, as we were concerned about the credit risk in the PRC, collectability of monthly fee under the EMC, long lead time to study and implement appropriate strategies suitable for new regions, as well as the intensive upfront investment if we were to offer leasing services in the PRC. Having considered the above, we established our market presence and growth potential in certain regions in the PRC through the provision of Consultancy Services, which our Directors believe was a more efficient and cost effective way to enter the PRC market, as we can leverage on the established client network and local market knowledge of our Consultancy Services customers without having to incur the intensive initial capital cost.

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In future, in case if we are to expand our leasing services to the PRC, our Directors consider that there will not be any material competition between us and our Consultancy Services customers for the following reasons. First, our Consultancy Services customers are contractually bound by the non-competition covenants under the CS Contracts, pursuant to which they have undertaken for a period of five years from signing of the CS Contracts that they shall not, without engaging us as their consultant or business partner, enter into or offer similar consultancy services that may compete with our Group. Moreover, we believe that, with our proven track record, reputation, our established business model in providing customised and integrated energy saving solutions which is well recognised by our customers, our strong research and development capabilities and our own Synergy-branded lighting products, we will be able to maintain a competitive edge over our Consultancy Services customers and other potential competitors in the PRC market. Further, as supported by the Ipsos Report, the ESCO industry in the PRC is still in an early stage of development and is rapidly growing, and its market potential is huge. As such, our Directors believe that potential competition will not be material.

Set out in the chart under the paragraph headed “Business model” in this section is an illustration of the various stages of our work in our provision of Consultancy Services, and our roles involved and assistance provided to our customers in their provision of energy saving solutions to their end customers.

During the Track Record Period, our Consultancy Services provided to our customers were project-based. We provide Consultancy Services including:

- (a) on-site inspection and measurement for carrying out energy saving solutions at the targeted sites under the project – our project managers and engineers attend the target sites and carry out inspections and measurements (which form part of the Project Trial Run Stage);
- (b) research and development – we will carry out research and development and design suitable lighting products for the project, if existing lighting products are not suitable (which form part of R&D Customisation Stage);
- (c) advising on product specifications – we will advise our customers on suitable product specifications for the project and make recommendations on procurement and sourcing of lighting products from suitable suppliers, including our subcontracting OEMs and our short-listed suppliers. If our Synergy-branded lighting products are the recommended products and after our customers have confirmed using the recommended products, we will provide purchase order template to our customers and authorise our OEMs to supply the recommended quantity of such products to our customers or their specific end-users. We will also procure our OEMs and short-listed suppliers to provide warranty for lighting products recommended by us with the same warranty terms as those supplied to our Group;
- (d) provision of measurement reports, analysis and carbon emission audit report – based on the information and data obtained during the site inspection, we will prepare measurements reports, pre-deployment case study and analysis and a carbon emission audit report for our customers. These reports and analysis include the suggested solutions to our customers, consisting of the recommended lighting products, the recommended number of lighting products, the estimated savings, and carbon emission audit report. These reports and analysis enable our customers to negotiate with the ultimate users or the owners of the site for entering into EMCs; and
- (e) provision of EMC documents – we will provide sample EMC framework, sample marketing materials (including the awards given to our Group and our lighting products introduction marketing brochure), our credentials and other information relating to energy saving solutions to enable our customers to start their own energy saving business for the project. Our customers are authorised to make reference to our credentials as case studies when they carry out their own marketing. If required by our customers, we will also provide training on sales and marketing techniques (both for energy saving solutions or wholesale) to their staff. Such training is conducted in Hong Kong.

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Our Consultancy Services are principally provided to our customers by our project management team comprising three members, which is led by one of our executive Directors, Mr. Arthur Lam, and they are assisted by other staff of our Group as and when required.

### ***Principal terms of the CS Contracts***

The terms of our CS Contracts may vary on a case-by-case basis subject to our negotiation with the customers and the local market situation.

During the Track Record Period, the seven CS Contracts were on normal commercial terms reached after arm's length negotiations between our customers and our Group, and were entered into in Hong Kong and have the same major commercial terms as follows:

- (a) all deliverables and services (including but not limited to recommendations as to which lighting products should be used for the project (such as product design and product specification recommendations), on-site inspection and measurement, EMC documents, and measurement reports, analysis and carbon emission audit report, etc.) will be delivered and provided within 45 to 60 days;
- (b) our customers shall pay to our Group the agreed consultancy fee in Hong Kong dollars within a period ranging from 150 days to 180 days after all deliverables and services are delivered and provided, and be responsible for all project related disbursements; revenue is being recognised when the service is rendered;
- (c) except in the case of death or personal injury caused by the negligence of our Group, the liability of our Group under the contract shall not exceed 25% of the contract sum paid by our customer to our Group under the contract;
- (d) all information and documentations our Group provides to our customers under the contract are confidential. Other than entering into new CS Contract with our Group, our customers are prohibited from entering into similar business or offering similar Consultancy Services within 5 years upon signing of the contract;
- (e) all information acquired by our Group with respect to the business or affairs of our customers under the contract is confidential, and we shall only use such confidential information for the purpose of performing the service under the contract; and
- (f) the contract is governed by and construed in accordance with Hong Kong laws.

A credit period ranging from 150 days to 180 days was agreed under the CS Contracts after arm's length negotiations with our customers. We consider that such credit period granted to our customers will enable and encourage our customers to promote the energy saving solutions in their targeted markets. Our Consultancy Services customers are generally required to invest and pay for lighting products at the commencement of a project. With such credit period, our customers will be able to commence the relevant project at a relatively low start-up costs. We believe such credit policy provides an incentive for our customers to enter into the CS Contracts with us. On the other hand, our direct cost of Consultancy Services mainly include staff salaries and research costs which are not significant to our Group, we consider this credit policy will not have adverse effect on our cashflow. Under the CS Contracts entered into during the Track Record Period, no sales rebate or other benefit was received by our customers from our Group in return for our Group's services.

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During the Track Record Period, we provided our Consultancy Services to our customers in Hong Kong, except the on-site inspection and measurement, which were carried out at the respective sites (which include factories, public transportation station, residential buildings, commercial buildings, retail shops and education institutions) in Guangzhou, Zhongshan, Shantou, Zhuhai and Shenyang, the PRC. According to the information provided by our customers and so far as our Directors are aware, their customers are mainly private companies and principally engaged in, amongst others, manufacturing, property development, property management and retail businesses, while two end customers are education institutions. Each on-site inspection and measurement at the respective sites during the Track Record Period conducted by our project managers and engineers would not take more than seven days as provided under the CS Contracts.

Pursuant to Article 5 of the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the term “Standing Body (常設機構)” in Paragraph 3 of the Article also includes an enterprise which provides services directly or through employees or other employed personnel on the other side for the same project or related projects including Consultancy Services for more than 183 days continuously or in aggregate in any twelve months period. Accordingly, if an enterprise is regarded as establishing a Standing Body (常設機構) in the PRC, it will be subject to PRC enterprise income tax.

Pursuant to Article 3 of the Law of PRC Enterprise Income Tax, where the non-resident enterprise that has not set up institutions or establishments in China, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall still pay enterprise income tax in relation to the income originating from China. Pursuant to Article 7 of the Implementation of Enterprise Income Tax Law of the PRC, the incomes from Chinese territory and foreign territory which are indicated in Article 3 of the Enterprise Income Tax Law shall be recognised in accordance with the following principle set out therein, namely the incomes from providing labour services shall be recognised with reference to places where the services were provided.

According to our PRC legal advisers, we are not liable to pay any PRC enterprise income tax for the 13 CS Contracts with our customers because our Group provides on-site inspection and measurement in the PRC during the Track Record Period, which shall be regarded as the affiliate part to the Consultancy Services for our customers and which shall not be recognised as the labor services provided through our staff directly in the PRC for a continuous period of, or for periods in aggregate of, more than 183 days. Hence, (i) our Group shall not be regarded as establishing a Standing Body in the PRC; and (ii) the income obtained by our Group for providing the Consultancy Services to our customers outside the PRC, including the service provided by our Group's Hong Kong based certified auditor for a carbon emission audit report and analysis, shall not be recognised as income in the PRC. Therefore, our Group is not subject to the PRC enterprise income tax.

### **(3) Leasing services**

In addition to our trading business and our Consultancy Services business, we provide our energy saving solutions services by leasing our lighting products to our customers. As illustrated in the flow chart set out under the paragraph headed “Business model” in this section, our leasing services comprises a full range of services along the business value chain from advising on lighting solution, product customisation, on-site inspection and measurement, product sourcing, project deployment to after sales service.

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Our customers in this business segment are mainly end-users of energy saving solutions, among which many of them are reputable and/or multi-national companies in Hong Kong, such as property management companies, car park operators, retail operators, banks and insurance companies, which utilise relatively substantial amount of electricity in the properties which they manage or operate, such as office premises, shopping malls, residential properties, car parks, retail chains and restaurants, etc..

In our leasing services, we lease our lighting products to our customers with the objective to achieve significant electricity consumption savings for our customers. Before we enter into the EMCs with our customers, we provide energy saving assessment to our customers. We assist and devise for our customers an energy saving lighting system and provide retrofit lighting product replacements for our customers with generally free installation. We guarantee the saving performance of our lighting solutions, based on the pre-determined saving proposals to our customers, and they are entitled to early terminate the EMCs without any penalty payable to us if the saving performance cannot be achieved.

Our leasing services generally enables our customers to:

- (a) retrofit their existing lighting systems to more efficient energy saving lighting system without incurring any upfront investment, and it is a “zero cost energy saving” solution to our customers;
- (b) have certainty on the continuous supply of our lighting products with minimal maintenance costs during the terms of the EMCs; and
- (c) have certainty on the amount charged by our Group during the term of the EMCs as the fixed monthly leasing fees charged by us are pre-determined at the time when our customers entered into contracts with us. The pre-determined fixed monthly leasing fees represent a portion of the savings on our customers’ electricity charges after retrofitting their existing lighting systems with our proposed lighting systems.

According to the experiences in serving our customers, our Directors believe that our leasing services customers prefer leasing services to direct purchase of our lighting products because of the following reasons:

- (a) our leasing services is a “zero cost energy saving” solution to our leasing services customers, which they do not require to incur any upfront investment for replacing their existing lighting system with our energy saving lighting products, whereas our direct purchase customers have to bear not only the costs of our energy saving lighting products, but may also have to bear the costs of retrofitting or replacing their lighting fixtures;
- (b) our leasing services customers are only required to pay fixed monthly leasing fee (which represents a portion of the savings on our customers’ electricity charges) to us during the term of the EMC calculated based on the formula agreed with our leasing services customers on the deployment date instead of paying the entire costs of all the lighting products if they choose to purchase. In addition, payment of the fixed monthly leasing fee is spread over the entire term of the EMC, which generally last for three years, whereas we generally only provide a credit period of 30 days to our direct purchase customers for settling the purchase price of the lighting products;
- (c) at the request of our leasing services customers, we provide on-site performance review regarding brightness and the energy saving performance of our lighting products, provided that such performance review generally shall not be carried out more than once in any twelve months’ period; and
- (d) we also provide a small percentage of spare lighting products to our leasing services customers for their timely replacement when any of our lighting products are spent during the term of the EMC. For direct purchase customers, we will only deliver the exact number of lighting products as per the purchase orders although these lighting products will be covered by our standard warranties.

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Under our EMCs, we generally lease lighting products to our customers and our customers pay the pre-determined fixed monthly leasing fees to our Group during the term of the EMC. The ownership of the energy saving lighting products provided under the terms of the EMC generally remains with our Group. However, in limited cases subject to negotiation, ownership of lighting products may be transferred to our customers upon the end of term of the EMC.

We adopt a proactive approach in our provision of leasing services. The flow chart set out under the paragraph headed “Business model” in this section depicts, among other matters, the leasing services business model of our Group. The detailed description of each stages of our workflow is as follows:

### ***Project Initiation***

Currently, our target customers are corporations with the following characteristics:

- (a) its business should be recognisable;
- (b) its business should be stable with steady growth;
- (c) the operating hours of the premises owned or managed by the customer should be at least 8 hours per day and 22 days per month;
- (d) the existing lighting equipment mainly used by the customer should be T8/T10/T12 fluorescent tubes, MR16 spot lights, high bay lamps with metal halide or high pressure sodium light bulbs. These existing lighting systems are commonly used in Hong Kong commercial sector; and
- (e) preferably, the customer is in the industries of real estate, property management, commercial retail, multi-national corporation office, car parks, warehouse logistics and manufacturing.

Our senior management and sales team proactively identify our target customers in Hong Kong. Once a potential customer is identified, a designated personnel will be assigned to initiate discussion with the potential customer.

Our sales and marketing team also identify potential customers through referrals from existing customers, visitors to our booth in trade fairs and those who learned about our energy saving solutions and services from various marketing channels. We have adopted an internal standard for our sales and marketing team to introduce our energy saving solutions and the strength of our products to our customers.

### ***Sales Follow Up***

The responsible sales staff follows up with the potential customers and introduces our Group's retrofit energy saving solutions and our leasing services to them by sending to them relevant presentation and/or existing customers' testimonials for their reference. The responsible sales staff will then set up meeting with our potential customers.

### ***Initial Sales Presentation***

At the first meeting, we obtain information and requirement of the existing lighting system from our customers. We also conduct demonstration of our products with the aid of a calibrated power analyser and hand-held power metre. The demonstration generally shows an increase in brightness and a decrease in energy consumption by installing our lighting products as compared to the customer's existing lighting system. Our leasing services is also introduced to the customers at this meeting, together with case studies and job references.



### ***Trial run and R&D Customisation***

Subsequent to the acceptance of our preliminary proposal, an on-site trial run will be arranged by us. We will install sample of our proposed lighting products at the designated site of the customer to enable the customer to have a real-time comparison of the difference between its existing lighting system and our products. Given at the time of trial run, the only electrical products changed are the lighting products, any changes in the electricity consumption would be the direct result from the use of our products.

The trial run is also for obtaining on-site data, such as power consumption and luminosity, of the customer's existing lighting system and the suggested lighting products to be provided by our Group. During the trial run, a calibrated power analyser and hand-held power metre will be used to record the power consumption of the existing lighting system and our proposed lighting system. With the on-site data of the customer's existing lighting system, and any specific request of our customer (such as the luminosity of the site and the colour temperature of the lighting products) after having the trial run, we will update and decide whether the lighting solution devised for the customer is the most suitable in the circumstances.

The data obtained from the trial run (in particular the difference in power consumption between our customer's existing lighting system and the proposed lighting system) will be used as the basis for determining our leasing fee. Please refer to the sub-paragraph headed "Fixed monthly leasing fee" below for details of how our leasing fee is determined. According to our internal trial run procedure, the trial run will generally take approximately 3 hours.

### ***Customer Proposal***

After understanding the customer's needs and requirements of the lighting system, the responsible staff will prepare a preliminary energy saving proposal. The preliminary proposal includes the suggested lighting products and the quantity to be deployed, the predicted savings in electricity consumption after deployment, and the proposed savings split between the customers and our Group.

Taking into consideration of the customer's business nature and its needs, we will devise a suitable lighting solution for the customer by using different combination of lighting products, including "Tube-in-Tube" Fluorescent Lamps, LED products, induction lamps, etc. to maximise savings on electricity charges.

### ***Signing of EMC***

The negotiations between our customers and our Group are largely on the term of the EMC and the sharing ratio on the savings on electricity charges after switching to our lighting products. The standard terms and conditions for our EMC include the following:

- (a) we will deliver and install our lighting products within an agreed period ranging from 21 to 30 working days after the date of the contract with our customer or such other date as may be agreed between our customer and our Group;
- (b) our customer shall keep the deployed lighting products (including spare lighting products) in good repair condition and working order, and be responsible for safekeeping of all deployed lighting products (including spare and malfunctioned lighting products);

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- (c) our customer shall pay to our Group the agreed fixed monthly leasing fee, which shall not be adjusted unless (i) where the actual total energy saving per month is substantially less than the estimated total energy saving per month as set out in the EMC, in which case, failing remedial actions, we shall determine such shortfall and adjust downward the monthly leasing fee accordingly; and (ii) in the event that the effective electricity unit rate actually charged under the electricity bill is increased or decreased by more than 5% when compared to the electricity unit rate at the time of entering into the EMC, the fixed monthly leasing fee will be adjusted correspondingly. If the saving performance cannot be achieved after the failure of our remedial actions, our customers are entitled to early terminate the EMC without any penalty payable to us;
- (d) subject to negotiation of the terms of the EMC, the EMC shall be automatically renewed on a monthly basis upon expiry unless written notification of termination is given by the parties;
- (e) our Group shall have the right to terminate the EMC by giving one month's notice to the customer if the leasing fees or any amount due and payable to our Group shall remain unpaid for 60 days or the customer endangers the rights or property of our Group;
- (f) the customer can only terminate the EMC before the expiry of the EMC by giving not less than three month's notice to our Group, subject to an early termination payment payable by the customer;
- (g) upon termination of the EMC, our Group shall generally be entitled to remove and re-possess the lighting products installed at the premises of the customer (including spare and malfunctioned lighting products), but in limited cases subject to negotiation of the terms of the EMC, ownership of lighting products may also be transferred to our customers upon the end of term of the EMC; and
- (h) the liability of our Group under the EMC shall not exceed the amounts paid by the customer to our Group under the EMC.

### ***Project Deployment***

In general, it takes about two to three weeks from commencement of deployment to completion of installation of our lighting products. At the request of our customers, our deployment work is sometimes carried out after office hours to minimise the business disruption caused by our deployment work to our customers.

We are generally responsible for the installation cost, but subject to negotiation of terms, our customer may also share our cost of supply and installation of lighting products. The installation costs for leasing services amounted to approximately HK\$761,000, HK\$196,000 and HK\$31,000 for the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014. We subcontract the installation of the lighting system for our customers to our deployment subcontractors. As at the Latest Practicable Date, we have short-listed three deployment subcontractors with reference to their experience, capability in terms of manpower and time in undertaking our deployment projects. Each of them has to employ and assign Grade A qualified electrical workers registered with the Electrical and Mechanical Services Department for carrying out the deployment work of our Group. Our Group is responsible for the relevant contractors' all risk insurance for our deployment subcontractors while they are working for our Group.

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We have issued subcontractor deployment guideline and deployment plan to our deployment subcontractors to ensure the quality of their service. Our staff from our project management team also conduct site walks with our subcontractors to discuss the deployment plan and any deployment issue.

### ***Commencement of Monthly Billing***

After the deployment, our customer and us will jointly conduct a site inspection to confirm the total number of lighting products deployed and whether the installation of the products is to the satisfaction of our customer. We then issue a commencement of billing form or deployment confirmation to the customer for confirmation.

During the Track Record Period and up to the Latest Practicable Date, the lead time for securing an EMC from the Project Initiation stage to the Commencement of Monthly Billing stage was generally three to five months.

### **Fixed monthly leasing fee**

During the term of the EMC, our leasing fee is charged on a monthly basis. It is a pre-determined amount agreed between our customers and our Group at the time of entering into the EMC. The amount of leasing fee is determined and agreed with reference to (a) the estimated savings from the electricity charges payable by our customers assuming they have enrolled with our leasing services as compared with their existing electricity charges as shown in their latest electricity bills before entering into the EMC; (b) the data (in particular the energy consumption for the lighting products and the operation time of the lighting system) obtained from the trial run at the sites of the customers; and (c) the sharing ratio (i.e. the split) agreed between our customers and our Group.

Energy consumption in electricity bill is measured in the units of kWh. The monthly energy consumption cost (i.e. electricity charges) of lighting products can be calculated by the following equation:

$$\text{Power consumption per hour (kWh)} \times \text{Operation time (hour per day)} \times \text{Operation days per month} \times \text{Electricity unit rate (\$/kWh)}$$

During the life span of a lighting product, its power consumption (i.e. wattage) shall remain largely the same. Hence, with reference to the difference in the power consumption of our customers' existing lighting system and our lighting system as obtained from the trial run, our Group and our customers are able to determine or calculate the savings after their existing lighting system is replaced by our lighting system.

Assuming a customer in Hong Kong Island is using a lighting system with 500 pieces of T8 fluorescent tubes which operates 18 hours a day and 30 days a month, the estimated savings from the electricity charges for such a customer after replacing the existing lighting system by our lighting system using "Tube-in-Tube" Fluorescent Lamps could be over 50% of the original electricity fee per month (before deduction of the fixed monthly leasing fee payable to our Group provided under the EMC) while enjoying brighter luminosity output. Once the estimated monthly savings is determined, our Group will negotiate with the customer on the sharing ratio. Depending on the term of the EMC, our Group will generally share 50% to 70% of the estimated monthly savings.

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For illustration purpose only, the estimated monthly savings generated from the replacement of existing lighting system for such a customer and our revenue are as follows:

	4' T8 fluorescent tube	4' "Tube-in-Tube" Fluorescent Lamp	Monthly Saving
Power consumption per tube (Watt)	48	22	26
Power consumption per tube (Kilo Watt)	0.048	0.022	0.026
Usage per day of 18 hours	18	18	18
Usage per month (30 days)	30	30	30
Electricity rate (HK\$ per kWh)	1.28	1.28	1.28
Total \$ savings per tube per month	0.026kWh x 18 hours x 30 days x HK\$1.28		17.97
Estimated number of tubes			500
Total savings per month (HK\$)			8,985.60
Revenue generated to our Group (at a sharing ratio of 70/30 ( <b>70% our Group: 30% customer</b> ))		Our Group: 70% x 8,985.60	6,289.92

### **Total saving on electricity bill upon deployment formula**

As we share the savings from their electricity charges with our customers, our leasing fee represents only part of the electricity charges our customers could save from the reduced energy consumption under our leasing services. The sharing ratio (i.e. the split) between our customers and our Group is determined and agreed on a case by case basis, which depends on a number of factors such as the operating hours of the lighting system and the amount of savings generated from the reduction of energy consumption and the scale of the project. Once agreed, our customers pay a fixed monthly amount for the whole term of the contract. Such pre-determined fixed monthly leasing fee will only be adjusted in the event that (i) the actual total energy saving per month is substantially less than the estimated total as set out in the EMC, in which case, failing remedial actions, we shall determine such shortfall and adjust downward the fixed monthly leasing fee accordingly; and (ii) the effective electricity unit rate actually charged in the electricity bill is increased or decreased by more than 5% when compared to the electricity unit rate at the time of entering into the EMC, in which case the fixed monthly leasing fee will be adjusted correspondingly. During the Track Record Period and up to the Latest Practicable Date, no triggering event has occurred that required our Group to make an adjustment to the pre-determined fixed monthly leasing fee.

Taking into consideration of customer's needs and requirements, we will devise suitable lighting solutions for the customer by using different combination of lighting products and generally with minimum modifications to the existing fixtures of the customer. The lighting products offered to our customers through our leasing services include our "Tube-in-Tube" Fluorescent Lamps and/or other lighting products which include LEDs and induction lamps, which consume less power (i.e. wattage) than their existing lighting systems which generally use traditional fluorescent tubes and spot lights.

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The table below sets forth the types of lighting products newly deployed during the Track Record Period for our Group's leasing services, in absolute quantity and as a percentage of the total number of lighting products newly deployed for the period indicated:

	Year ended 31 March				Six months ended 30 September	
	2013		2014		2014	
	Number of pieces newly deployed	%	Number of pieces newly deployed	%	Number of pieces newly deployed	%
"Tube-in-Tube" Fluorescent Lamps	9,937	50.6	5,016	54.0	992	59.6
LEDs	9,005	45.8	4,250	45.8	673	40.4
Induction lamps	708	3.6	15	0.2	–	–
<b>Total</b>	<u>19,650</u>	<u>100.0</u>	<u>9,281</u>	<u>100.0</u>	<u>1,665</u>	<u>100.0</u>

The table below sets forth the aggregate number of lighting products utilised under our EMCs on hand as at 31 March 2013, 31 March 2014 and 30 September 2014:

	As at 31 March				As at 30 September	
	2013		2014		2014	
	Number of pieces utilised	%	Number of pieces utilised	%	Number of pieces utilised	%
"Tube-in-Tube" Fluorescent Lamps	108,596	86.4	98,560	85.0	88,018	83.0
LEDs	15,484	12.3	15,818	13.6	16,491	15.5
Induction lamps	1,614	1.3	1,629	1.4	1,629	1.5
	<u>125,694</u>	<u>100.0</u>	<u>116,007</u>	<u>100.0</u>	<u>106,138</u>	<u>100.0</u>

During the Track Record Period, the number of lighting products newly deployed for our leasing business decreased from 19,650 for the year ended 31 March 2013 to 9,281 for the year ended 31 March 2014 and to 1,665 for the six months ended 30 September 2014. The decrease was primarily because (i) save for replacement lighting products delivered to our customers upon their return of the damaged or spent lighting products, renewed contracts did not generally require re-deployment of lighting products; (ii) there was a decrease in the number of our new EMCs during the Track Record Period; and (iii) the average number of newly deployed lighting products in our new EMCs recorded a decrease during the Track Record Period.

Our Directors consider that such decrease in the number of lighting products newly deployed was not an indication of the limited growth potential of our leasing business, but only a result of the shifting of our focus to the development of our overseas market during the Track Record Period. As a result of such shift of our business focus, the aggregate number of lighting products utilised under our EMCs on hand slightly decreased by approximately 7.7% from 125,694 as at 31 March 2013 to 116,007 as at 31 March 2014 and further decreased by approximately 8.5% to 106,138 as at 30 September 2014. With additional funds raised from the Placing of the New Shares, we intend to dedicate more resources on the expansion of our leasing services business in Hong Kong. Details of our future plans regarding such expansion are set out in the section headed "Business objectives and future plans" in this prospectus.

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Our leasing services generally include the following features:

- (a) Retrofit lighting products are provided to our customer free of charge and all the initial installation costs are borne by our Group, but subject to negotiation of terms, our customer may also share our cost of supply and installation of lighting products. We also provide a small percentage of spare lighting products to our customers for their timely replacement in the case when any of our lighting products are spent during the term of the EMC.
- (b) During the term of the EMC, upon notification from our customers, we will provide and deliver such number of lighting products to our customers upon their return of the corresponding number of spent lighting products (i.e. exchange).
- (c) It is generally not necessary to and we are not obligated under the EMC to monitor the performance of our lighting products. However, if requested by our customers, we shall carry out on-site performance review to verify the energy saving performance of our lighting products installed in the customer's premises. If such review reveals that the power consumption (in wattage) of the relevant lighting products is 10% or more than the promised power consumption as stipulated in the EMC, we shall take remedial action to fulfill the committed energy saving, failing which our customer is entitled to terminate the EMC without penalty payable to us. During the Track Record Period, none of the performance reviews conducted has shown unfavourable results which would require us to make any adjustment to the pre-determined fixed monthly leasing fee.
- (d) We sometimes provide free portable power meter to our customers to facilitate on-site power consumption monitoring.
- (e) We provide saving guarantee to our customers by having a fee adjustment policy such that, in the case of substantial failure to achieve the stated energy savings as stipulated in the EMC, the pre-determined fixed monthly leasing fee will be adjusted downward accordingly with reference to the shortfall. During the Track Record Period, no triggering event has occurred that required our Group to make an adjustment to the pre-determined fixed monthly leasing fee.
- (f) We are also responsible for the contractors' all risk insurance which cover the installation work and lighting products deployment carried out by our sub-contractors within the contract period.

The abovementioned services are generally provided to our leasing services customers, but not the direct sales customers, except that:

- (a) subject to negotiation of terms, we may provide installation services to our direct sales customers for our lighting products for a fee; and
- (b) any defective goods may be returned to our Group for replacement within our warranty period pursuant to agreements entered into between our direct sales customers and us.

We generally offer leasing services to our customers with an initial term of three years. The initial term of the EMC is agreed after arm's length negotiation with our customers. Since every customer has different settings and requirements, tailor-made solutions will be provided to yield maximum mutual benefits.

Generally, during the term of the EMC, the deployed lighting products (including spare lighting products placed with the customers on site and the spent lighting products) belong to our Group, and all deployed lighting products are required to be returned to our Group upon termination and expiry of the EMC, but in limited cases subject to negotiation of the terms of the EMC, the ownership of lighting products may also be transferred to our customers upon the end of term of the EMC.

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The table below sets forth the details and movements of our EMCs during the Track Record Period.

	Year ended 31 March		Six months ended 30 September
	2013	2014	2014
	2013	2014	2014
Contracts on hand at the beginning of year/period	107	113	109
Contracts signed			
– new contracts	19	14	5
– contracts renewed upon termination/expiry <sup>(Note 1)</sup>	25	25	11
Contracts terminated/expired during the year/period <sup>(Note 1)</sup>	<u>(38)</u>	<u>(43)</u>	<u>(21)</u>
Contracts on hand at the end of year/period	<u>113</u>	<u>109</u>	<u>104</u>
Renewal rate (for contracts renewed during the year/period only) <sup>(Note 2)</sup>	65.8%	58.1%	52.4%
	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Total contract value of contracts on hand <sup>(Note 3)</sup>	30,552	28,993	26,264
Average contract value of contracts on hand <sup>(Note 4)</sup>	270	266	253
Total cost savings under contracts on hand <sup>(Note 5)</sup>	50,573	50,829	47,662
Average cost savings under contracts on hand <sup>(Note 6)</sup>	448	466	458

Notes:

1. Renewals of our EMCs only take place upon or after termination or expiry of the relevant contracts. To the best knowledge of our Directors, during the Track Record Period, our customers did not enter into new EMCs with us after their contracts terminated/expired, primarily due to (i) relocation of their offices; (ii) termination of their businesses; or (iii) their own commercial considerations, which may include, among other matters, their internal allocation of capital. For contracts terminated due to relocation of offices, our customers may not be able to enter into new contracts with us because our lighting products may not be applicable to their new offices and/or past electricity consumption comparable is not available for their new offices.
2. Renewal rate equals to the number of renewed contracts during the year/period divided by the total number of contracts terminated/expired during the year/period.
3. The total contract value of contracts on hand refers to the total amount of the service fees received or to be received by us pursuant to our EMCs on hand at the end of the relevant year or period.
4. The average contract value of contracts on hand refers to the total contract value of our EMCs divided by the number of our EMCs on hand at the end of the relevant year or period.
5. Total cost savings under contracts on hand refers to the total amount of savings by our customers in terms of energy consumption costs (i.e. electricity charges) as stated on our EMCs on hand at the end of the relevant year or period.
6. The average cost savings under contracts on hand refers to the total cost savings under our EMCs divided by the number of our EMCs on hand at the end of the relevant year or period.

As at 30 September 2014, we have 104 EMCs on hand with fixed monthly leasing fee amounting to a total of approximately HK\$0.7 million.

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The following table shows the number of contracts expired/expected to expire in each of the following years according to the expiry dates on our EMCs on hand as at 30 September 2014:

	Year ending 31 March					TOTAL
	2015	2016	2017	2018	2019	
Contracts expired/expected to expire during the year	8	47	30	18	1	104

#### 4. PRICING POLICY

We use similar basis and elements in formulating our pricing policy for all of our businesses.

##### *Trading of lighting products*

When devising the price of our goods sold to our distributors, we will take into account factors such as electricity unit rate of the relevant market, the purchase volume, market acceptance of environmentally friendly lighting products, costs of our lighting products, the extent of other services that are required to be provided by us, and the estimated revenues our customers may charge to their end customers on provision of energy saving solutions (if applicable).

##### *Consultancy Services*

When devising the amount of fees for our Consultancy Services, we will take into account factors such as electricity unit rate of the relevant market, the project size, the number of operating hours of the relevant site, the number of tubes to be deployed, if applicable the estimation of the reasonable duration of the potential EMC (generally three years based on our experience in providing energy saving solutions in Hong Kong) to be entered into by our customers, the estimated deployment costs at the relevant sites and also the extent of other services we are to provide to them.

Our customers conduct energy saving solutions business in certain regions in the PRC, and we charge our Consultancy Service fees with reference to the revenue that they may charge their end customers, similar to the sharing of the saved electricity with our leasing services in Hong Kong. Unlike leasing services and trading of lighting products, Consultancy Services do not involve significant direct costs such as material purchase cost or deployment cost in the other two segments which are quite significant as compared to the income earned from those segments. The direct costs of Consultancy Services which mainly included staff salaries and research costs are relatively low as compared to the attributable income and thus resulting in a significantly higher profit margin when compared to the Group's other two segments. However, we believe that our Consultancy Services customers will take into account our business track record, industry knowhow, technological capability, etc., which we have built up over the years and which we believe are valuable and vital to our Consultancy Services customers.

The actual amount charged by us for each and every contract (whether it is for our leasing services, our Consultancy Services or trading of lighting products) will be subject to negotiation and will also take into account any special circumstances or additional requirements of our customers.

##### *Leasing services*

Details of our pricing policy for our leasing services are described in the sub-paragraph headed "Fixed monthly leasing fee" in this section of this prospectus.



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### 5. PRODUCTS

As at the Latest Practicable Date, the lighting products offered by our Group can be broadly classified into three categories, namely, (a) “Tube-in-Tube” Fluorescent Lamps; (b) LEDs; and (c) induction lamps.

The table below sets forth a breakdown of our Group’s gross profit and gross profit margin for our products from external customers for the period indicated:

	Year ended 31 March				Six months ended 30 September	
	2013		2014		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
“Tube-in-Tube” Fluorescent Lamps	10,220	40.8	16,294	48.9	6,408	48.7
Induction lamps <sup>Note</sup>	348	32.3	1,243	27.9	2,967	32.9
LEDs	266	25.5	1,146	26.7	355	36.6
<b>Total</b>	<u>10,834</u>	39.9	<u>18,683</u>	44.4	<u>9,730</u>	42.0

Note: Induction lamps include high bay lamps, flood lights and the relevant parts of such lighting products.

Our products are categorised as follows:

#### “Tube-in-Tube” Fluorescent Lamps

Our patented “Tube-in-Tube” Fluorescent Lamp is a retrofit for the existing T8/T10/T12 lighting fixtures. It is available in all sizes: 2’, 3’, 4’, 5’ and 8’ and featuring different colour temperatures ranging from 2,700K to 6,500K. Its applications include offices, commercial buildings, shopping malls, car parks, advertisement light boxes, and supermarkets, etc. Our retrofit technology does not require replacement of the existing lighting fixtures. Our leasing services customers are not required to pay for any upfront costs or investments for new system or fixtures in order to enjoy the energy savings from our leasing services. Further, the recurring operational expenses of our leasing services customers such as material and labour costs will be reduced because our leasing services cover replacement of spent lighting products and our products’ longer average life span reduces labour and maintenance cost.

Please refer to the paragraph headed “Recognitions and Awards” under this section for the awards relating to our “Tube-in-Tube” Fluorescent Lamp technology.

### Induction lamps

Our induction lamps include mainly high bay lamps, flood lights and the relevant parts of such lighting products. Our induction lamps are sourced from our short-listed suppliers, and some are produced with customisation at our request to specifically suit our customers' needs and requirement. Our induction lamps are categorised as follows:

#### *Synergy High Bay Lamp Series*



This series of product uses a circle tube as its light source with an optional aluminium lamp reflector, mirror-like polishing. A specific model of this series has an ultraviolet anti-ageing silicon gasket. It is available in different wattages and different colour temperatures. Its applications include warehouse, car park, repair and maintenance centre, factory and supermarket.

#### *Synergy Flood Light Series*



This series of product uses a square tube as its light source with die cast aluminium. Depending on specific requirements, the body of the lamps can be coated with epoxy powder, housed with a tempered glass cover with corrosion proof silicon rubber sealing ring, or heat resistant silicon rubber sealing ring. It is available in different colour temperature and in various wattages. Its applications include warehouse, car park, repair and maintenance centre, factory, supermarket, billboards, stadiums, tennis courts and swimming pools.

### LEDs

Our LEDs are generally sourced from our short-listed suppliers. Some products are being manufactured based on our provided specification to suit our customers' needs and requirement, at times, we may also source from other suppliers. Our major LED products are categorised as follows:

#### *Synergy LED Lamp MR16 Series*



This series of product is in aluminium housing with various colour finishing available. A wide range of beam angles and different types of diffusers available to conform to different requirements. It is available in different colour temperature and in various wattages with optional dimmable function. Its applications include office, shop, supermarket, shelves, furniture, factory, and home.

### *Synergy PAR Series*



This series of product is in aluminium housing with various colour finishing available. A wide range of beam angles and different types of diffusers available to conform to different requirements. It is available in different colour temperature and in various wattages with optional dimmable function. Its applications include office, shop, supermarket, shelves, furniture, factory, and home.

### *Synergy LED AR111 Series*



This series of product is made out of die-cast aluminium. It offers instant replacement for conventional halogen lamp. There is various colour temperature available and in various wattages with optional dimmable function. Its applications include hotel, restaurant, bar, coffee house and cabinet lighting in all kinds of locations.

### *Synergy Candle Light Series*



This series of product with a unique design of plastic cover providing a “flame-like” reflection effect. It also has a unique lens to improve lighting distribution. It is an ideal to use on crystal chandelier and luxurious decoration. A wide variety of application areas are encountered in hotels, exhibition halls and restaurants.

## **6. MARKETING AND CUSTOMERS**

### **Our customers**

#### ***Trading of lighting products***

Our trading customers are mainly overseas distributors who purchase the lighting products from our Group. During the Track Record Period, the term of our distributorship agreement is generally 2 years. Other than our overseas distributors, we also have direct sales customers for our trading business.

Revenue from our distributors accounted for approximately HK\$24.5 million, HK\$36.4 million and HK\$22.0 million of our total revenue and representing approximately 34.6%, 45.6% and 58.1% of our total revenue for the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014 respectively, while the revenue derived from our Group’s sales to our local and overseas customers (including our distributors and direct sales customers) accounted for approximately 38.4%, 52.7% and 61.2% of the total revenue of our Group during the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014.

As at the Latest Practicable Date, we have appointed six exclusive distributors and two non-exclusive distributors.

### ***Consultancy Services***

We have two Consultancy Services customers, both of which are energy saving consultancy services providers. During the Track Record Period we had certain business relationship with the associates of one of our Consultancy Services customers, Well Spread. For further information relating to the relationship between our Group and the associates of Well Spread, please refer to the section headed "Relationship with Well Spread" in this prospectus.

Our gross profit margins in relation to the CS Contracts with our two Consultancy Services customers are at a similar level during the Track Record Period. The gross profit margin for our Consultancy Services was approximately 97.1% and 96.9% for the year ended 31 March 2013 and the year ended 31 March 2014 respectively, during which we only entered into CS Contracts with Well Spread. During the six months ended 30 September 2014, we provided Consultancy Services to the other customer, for which the gross profit margin was approximately 97.8% during the period.

During the Track Record Period, a substantial amount of our income derived from Well Spread. However, the reliance on Well Spread had been declining during the Track Record Period from approximately 49.4% to 34.8% of our total revenue for the years ended 31 March 2013 and 31 March 2014 respectively, and further declined from approximately 33.1% to 0% of our total revenue for the six months ended 30 September 2013 and 30 September 2014 respectively. The decline of our reliance was mainly due to (i) the continuously increasing contribution from our trading business (especially the overseas distribution) accounting for approximately 38.4%, 52.7% and 61.2% of the total revenue of our Group during the two years ended 31 March 2013 and 2014 and the six months ended 30 September 2014; and (ii) the signing of a new CS Contract with our new customer for Consultancy Services in August 2014, accounting for approximately 27.8% of the total revenue of our Group for the six months ended 30 September 2014.

Furthermore, it is our Group's strategy to further expand the clientele of our Consultancy Services should we be able to identify suitable potential customer, further explore opportunities for cooperation with suitable business partners for our Group to explore business opportunities worldwide, continue to develop our distributors network, and further develop our leasing services. As such, our Directors are of view that our Group is not reliant upon Well Spread, and the contribution by Well Spread in terms of the proportion of income contribution to our Group's total revenue will be further reduced.

Revenue from our five largest customers accounted for approximately 82.6%, 80.4% and 88.5% of our total revenue for the years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014 respectively.

### ***Leasing services***

Our leasing services customers are mainly end-users of energy saving solutions, among which many of them are reputable and/or multi-national companies in Hong Kong, such as property management companies, car park operators, retail operators, banks and insurance companies, which utilise relatively substantial amount of electricity in the properties which they manage or operate, such as office premises, shopping malls, residential properties, car parks, retail chains and restaurants, etc.. As our EMCs are generally for a term of three years, we consider we have entered into long-term business relationships with our leasing services customers. As at the Latest Practicable Date, our Group has 51 leasing services customers with 106 EMC contracts.

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The profile of our five largest customers during the Track Record Period is summarised as follows:

Customer	Length of business relationship with us up to the Latest Practicable Date	Type of service we rendered	Background of customer	Percentage of revenue attributable to us in the respective year/period
<b>For the year ended 31 March 2013</b>				
Well Spread	4 years	Consultancy Services	Hong Kong based energy saving consultancy services provider	49.4%
Customer A	2 years	Trading of lighting products	Lighting products distributor in Japan	13.6%
Customer B	3 years	Trading of lighting products	Lighting products distributor in Australia	11.5%
Customer C	3 years	Trading of lighting products	Lighting products distributor in Malaysia	5.7%
Customer D	5 years	Trading of lighting products and leasing services	Property management company in Hong Kong	2.4%
<b>For the year ended 31 March 2014</b>				
Well Spread	4 years	Consultancy Services	Hong Kong based energy saving consultancy services provider	34.8%
Customer A	2 years	Trading of lighting products	Lighting products distributor in Japan	29.5%
Customer C	3 years	Trading of lighting products	Lighting products distributor in Malaysia	7.4%
Customer B	3 years	Trading of lighting products	Lighting products distributor in Australia	4.8%
Customer E	1 year	Trading of lighting products	Retailer of luxury products in Hong Kong	3.9%
<b>For the six months ended 30 September 2014</b>				
Customer A	2 years	Trading of lighting products	Lighting products distributor in Japan	39.3%
Customer F	6 months	Consultancy Services	Macau-based energy saving consultancy services provider	27.8%
Customer B	3 years	Trading of lighting products	Lighting products distributor in Australia	18.1%
Customer D	5 years	Trading of lighting products and leasing services	Property management company in Hong Kong	1.8%
Customer G	3 years	Leasing services	Information technology service provider in Hong Kong	1.5%

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## BUSINESS

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Sales to our largest customer for the two years ended 31 March 2013 and 2014 and the six months ended 30 September 2014 amounted to approximately HK\$35.0 million, HK\$27.9 million and HK\$14.9 million respectively, representing approximately 49.4%, 34.8% and 39.3% of our total revenue for these periods. For the two years ended 31 March 2013 and 2014, Well Spread, our Consultancy Services customer which is a consultancy services provider, contributed the most to our revenue, whereas for the six months ended 30 September 2014, our Japanese distributor became our largest customer.

None of our Directors or any of their respective associates, or any Shareholder who owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date, held any interest in any of our five largest customers during the Track Record Period. Except that the sole director of and a shareholder holding approximately 20.2% interest in our Japanese distributor was also one of the seven directors in the board of and a shareholder holding approximately 16.5% interest in our Australian distributor, our Japanese distributor and our Australian distributor advised that they were two separate legal entities and did not have any relationship, and such common shareholder and director was not their respective single largest shareholder. Save for the above, our Directors are not aware of any relationship among the Group's five largest customers during the Track Record Period.

### **Marketing and promotion**

We believe effective business promotion is one of the reasons for our success. Our sales and marketing department engages a variety of marketing activities and channels to promote recognition and image of our brand. Besides, we also engage marketing agents to promote and market our energy saving solution services and products. For the two years ended 31 March 2013 and 2014 and the six months ended 30 September 2014, our marketing and promotion expenses were approximately HK\$1.5 million, HK\$0.4 million and HK\$0.1 million respectively, representing approximately 2.1%, 0.4% and 0.3% of our total revenue for these periods.

#### ***Our own marketing efforts***

Our Group has published articles in magazines and produced our own brochures. Our senior management also delivered speeches in different universities and participated in various interviews and seminars. Attending trade exhibitions has also been one of the ways for us to promote our business.

We have engaged a public relations firm to coordinate our marketing activities. We also sponsor non-governmental organisations, which share similar business philosophy with our Group, to promote our Group while fulfilling the social responsibilities.

We will continue to conduct the above activities to promote our business and our Group, and we aim to further promote our business by attending energy saving and green technology fairs and exhibitions in the international markets.

#### ***Our marketing agents***

Our marketing agents are appointed on a non-exclusive basis as our representatives in promoting and marketing our energy saving solution services and products. They receive a certain percentage of our revenue generated by customers referred by them (mostly are leasing services customers in Hong Kong) as commission. The appointment of our marketing agents was generally for a term of one to three years which is renewable for the next term until termination. The agency agreements may be terminated by our Group by serving notice to our marketing agents in certain adverse situations as stated in the relevant agency agreements. Moreover, under the agency agreements between our Group and our marketing agents, our marketing agents are obligated to ensure timely payment to be made from the customers referred to our Group by them although all payments, fees and deposits (if any) shall be dealt with between our Group and the customers directly. Such arrangement for appointment of marketing agents was made to assist our Group in promoting our Group and our energy saving solutions.

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As at the Latest Practicable Date, we have three agency agreements for our Hong Kong market. For our marketing agents in Hong Kong, two are individuals and one is a corporation. All our existing marketing agents in Hong Kong are Independent Third Parties, and all of them were appointed on a non-exclusive basis. During the Track Record Period, the turnover generated from customers referred to our Group by our marketing agents was approximately HK\$1.3 million, HK\$1.1 million and HK\$0.4 million for the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014 respectively, most of which was generated from our leasing services.

The target markets of the marketing agents are leasing services or direct sales to corporate clients, which in fact complements our Group's business strategies and our Group currently does not notice any competition arising from our marketing agents, and we will from time to time communicate with our agents to align their business development strategies with our business development strategies.

As we considered our energy saving business in Hong Kong has been successful in serving our reputable and/or multi-national corporate customers, and in order to avoid possible competition between our leasing services and the sale of our lighting products in Hong Kong, we focus on providing leasing services in Hong Kong and we only sell our lighting products in Hong Kong if our clients specifically prefer direct sales as opposed to leasing services. Although our Group has also appointed marketing agents, their roles are only to promote and market our leasing services and lighting products. They refer end customers (mostly are leasing services customers in Hong Kong) to our Group and in return receive a certain percentage of our revenue generated. Our Directors believe that as our marketing agents are appointed on such basis, the risk that our Group's lighting products becoming available in Hong Kong to compete with our leasing services could be minimised.

### **The Macau partnership**

On 17 November 2011, Synergy Worldwide and SIEPS entered into the Macau Joint Venture Agreement (which was supplemented and amended by two supplemental agreements dated 21 August 2012 entered into by Synergy Worldwide and SIEPS to amend certain terms of the Macau Joint Venture Agreement). Under the Macau Joint Venture Agreement, Synergy Worldwide agreed to (a) provide Consultancy Services, and (b) sell lighting and refrigerating equipment and products to SIEPS within the territory of Macau on an exclusive basis. SIEPS agreed to keep all information and documentations provided by Synergy Worldwide in confidence during the term of the Macau Joint Venture Agreement and for one year after its termination.

Pursuant to the Macau Joint Venture Agreement, SIEPS paid an agreed deposit to Synergy Worldwide as money on account for its future purchase of lighting and refrigerating equipment and products under the agreement. As at the Latest Practicable Date, approximately 50.6% of the deposit paid by SIEPS had been applied to set off orders placed by SIEPS mainly for our lighting products. Since our Group and SCM (HK) sells lighting and refrigerating equipment and products to SIEPS in addition to the provision of Consultancy Services, our Directors consider that the arrangement with SIEPS is part of our trading business and no consultancy service fee has been charged separately.

In addition to the price of goods sold to our Macau partner, SIEPS, our Group will also be entitled to a service fee representing 30% of the annual net revenue for the period from 1 January to 31 December of our Macau partner. Such service fee will be settled once every calendar year and payable within 45 days after the relevant year end. Such service fee arrangements were reached after arm's length negotiations between our Group and SIEPS. With such arrangements, our Group may enjoy the upside of the operating results of SIEPS. During the Track Record Period, we did not receive any service fee from our Macau partner, as it did not generate any annual net revenue for the relevant periods during the Track Record Period.

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The Macau Joint Venture Agreement was for a term of two years from the date of signing of the agreement. At the expiry date the Macau Joint Venture Agreement, the agreement shall be automatically renewed for a further term unless either party terminates the agreement by means of three months written notice. The Macau Joint Venture Agreement has been automatically renewed on 17 November 2013 and was still in force as at the Latest Practicable Date.

### 7. SOURCING AND SUPPLIERS

The lighting products offered by us to our customers include our “Tube-in-Tube” Fluorescent Lamps, LEDs and induction lamps. Our lighting products are mainly sourced through our OEM suppliers, and some are also sourced from other suppliers as further described below.

#### **Production subcontracting arrangements for “Tube-in-Tube” Fluorescent Lamps and high bay lamps**

To enjoy greater flexibility in production and minimise our risks, capital expenditure and fixed costs involved in setting up our own production lines, we engage the OEMs to produce our “Tube-in-Tube” Fluorescent Lamps and high bay lamps for us.

During the Track Record Period, we have engaged four OEMs for manufacturing our “Tube-in-Tube” Fluorescent Lamps, and among the four OEMs, one of them is also engaged for producing our high bay lamps. Among the four OEMs for our “Tube-in-Tube” Fluorescent Lamps, two of which are located in Foshan, one is located in Shenzhen, and the other one which also produces high bay lamps is located in Zhongshan, the PRC, which started to produce our lighting products for us since 2009, 2011, 2011 and 2013 respectively. Since 2014, one of the OEMs located in Foshan, who has been our supplier since 2009, has ceased to be our OEM supplier as the price of lighting products offered by it became less competitive when compared with that offered by our other OEM suppliers. The two Foshan OEMs and the Zhongshan OEM were introduced by Mr. Chan and Mr. Ng to our Group, and they were established in March 2007, June 2011 and August 2008 in the PRC respectively. The Shenzhen OEM was introduced by Mr. Reinig, and was established in July 2007. Each of the OEMs is an Independent Third Party and engaged in the business of lighting products manufacturing.

We selected these OEMs based on certain criteria such as the price of products and quality of products and services. Although no framework agreements were entered into with our OEMs, our OEMs have been putting resources on capital investment and human resources development, focused on production of quality products. Before each and every delivery of products, Fine Sky or its executive or our own staff will inspect and take random checks on the products produced for us (details of our relationship with Fine Sky are set out in the sub-section headed “Quality Assurance” under this section of this prospectus). Our staff will also conduct ad hoc site visits to our OEMs with a view to monitor their production schedule and quality.

Our Group has entered into Confidentiality Agreements with each of our four OEMs concerning the Confidential Information. The major terms of the Confidentiality Agreements include that:

- (a) each of the OEMs acknowledges that the Confidential Information is the sole and exclusive property of our Group;
- (b) the Confidential Information imparted to each of the OEMs is in strict confidence and solely for the OEMs to supply relevant lighting products to our Group;
- (c) each of the OEMs shall not without the prior written consent of our Group make any notes, sketches, drawings, photographs, copies and/or records of the Confidential Information;



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- (d) each of the OEMs shall, if so requested, return to our Group the Confidential Information together with all copies thereof that are in its possession, custody or control upon such time when each of the OEMs' rights to use the Confidential Information shall cease; and
- (e) each of the OEMs is authorised on a non-exclusive basis to use and reproduce information as posted on our Group's website at [www.synergy-group.com](http://www.synergy-group.com) and to create a hyperlink to our Group's website at [www.synergy-group.com](http://www.synergy-group.com) solely for the purpose of advertising, promoting and marketing of our relevant lighting products.

Other than the Confidentiality Agreements, we do not have any framework agreements for production of our "Tube-in-Tube" Fluorescent Lamps or high bay lamps with our four OEMs. So far as our Directors are aware of, the OEMs have never breached any of the material terms of the Confidentiality Agreements up to the Latest Practicable Date.

The scope of services provided by our OEMs to our Group is on a non-exclusive basis; in other words, the OEMs can produce other lighting products (i.e. products other than our Synergy-branded lighting products) to other parties without our Group's consent.

The OEMs manufacture our Synergy-branded lighting products to the standard, quality and specifications as required by our Group. All the products manufactured by the OEMs for us are under our brand name "Synergy" and with our registered trademark "". Our OEMs will generally provide warranty on the products they supplied to us ranging from periods of 24 months to 36 months.

The OEMs are responsible for procuring raw materials, the production of our Synergy-branded lighting products and delivery of finished goods to designated location. With reference to its own production costs and our order size, each of the OEMs issues and updates its price list to our Group from time to time. Such price lists set out the prices of Synergy-branded lighting products that the OEMs will charge us.

Every time our Group receives an order from our distributors, we will submit a purchase order specifying the specifications, quantity, price (according to the price list issued by the OEMs), packaging requirements and scheduled date and place of delivery of the products to the OEMs about 21 to 28 days before the scheduled date of delivery of such products. The OEMs will then indicate whether they will accept our order and/or adjust the product price to reflect fluctuations in their production costs. After the OEMs have accepted the order, we will pay a deposit in general of 30% to 50% and thereafter they will proceed to production. Before delivery, the OEMs will notify our quality controller to inspect the finished products for us. If the products meet the specified specifications and quality, the OEMs will arrange delivery according to the purchase order. The OEMs will issue an invoice for the balance of the purchase price, which will be paid upon delivery. Generally, both the deposit and the balance of purchase price will be settled by telegraphic transfer.

Since the establishment of the aforesaid subcontracting arrangement, our Group has not faced any difficulty in respect of our co-operation with the OEMs. Up to the Latest Practicable Date, we have not faced any delay in delivery of orders, the OEMs' refusal to accept our orders, quality problem or infringement of intellectual property rights of our Group by the OEMs. Our Directors are of the view that our Group would maintain the aforementioned subcontracting arrangements.

For our Consultancy Services, we will advise our customers on products specifications and provide purchase order templates and authorise our OEMs to supply the recommended quantity of products to them or their specific end users. During the Track Record Period, we disclosed to our two customers of our Consultancy Services the identity of two of our OEMs under the foregoing arrangements, which were for the commercial arrangements between our customers and their ultimate end-users. We nevertheless would charge our customers the Consultancy Services rendered whether or not the purchase order of the energy saving lighting products were made through us or not. Further, we would not become liable for the warranties and quality of the products which will solely be responsible by the OEM.

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Notwithstanding the above arrangements, our Directors believe that there are contractual safeguard against the OEMs under the signed Confidentiality Agreements with our Group and we are allowed to visit our OEMs to monitor our OEMs' production lines on whether they are producing our Synergy-branded lighting products for any third party without our authorisation or infringe our intellectual property rights by using our intellectual property rights in other products. Since our OEMs are bound by the terms of the Confidentiality Agreements, any breach of the contractual restraints would not only jeopardise the established relationship between us and our OEMs, but also expose our OEMs to litigation risks as we will take such legal actions as may be advised to defend our rights. Our Directors consider that such contractual restraints and visits to the OEMs are appropriate measures taking into account the necessary costs that our Group have to incur.

### **Sourcing and procurement of other lighting products**

Other than our "Tube-in-Tube" Fluorescent Lamps and high bay lamps, we source and procure other lighting products, which include mainly LEDs and flood lights, from independent suppliers. Sourcing and procurement function of our Group is performed by our sales and marketing department which works closely with our research and development department and the project management department.

#### ***Suppliers***

Our Group has not entered into any long-term supply agreements, giving us the flexibility to source the most suitable lighting products for our customers. We settle our purchases mainly in HK dollars and by way of cheques with our suppliers either on cash on delivery basis or with generally 30 days credit terms.

Our Directors believe that we maintain good relationships with our suppliers by (i) implementing a set of transparent suppliers selection procedures by giving our Group's norms of quality requirements and procedures to all of our suppliers; (ii) establishing clear communication channels with the suppliers; and (iii) visiting our suppliers regularly to maintain the relationships and to review the issues raised from both sides. During the Track Record Period, we have not encountered any substantial difficulties in sourcing other lighting products, which include mainly LEDs and flood lights, and there had been no material legal dispute between our Group and our suppliers.

At the quotation stage, our sales department will send out the required specifications to the suppliers for quotation. It will then choose the most suitable supplier and carry out basic assessment on the supplier, including but not limited to an inspection of the relevant products. Our Group maintains an approved supplier list for each category of products. The selection criteria for putting a supplier into the approved supplier list include:

- (a) track record – the product history and customer reference;
- (b) technical capability – the product or service knowledge to supply to high level of specification;
- (c) operation capability – the process knowledge to ensure consistent, responsive, dependable and reasonable cost supply;
- (d) financial capability – the financial strength to fund the business in both the short term and the long term;
- (e) managerial capability – the management talent and energy to develop supply potential in the future;
- (f) product warranty – failure rate, lifespan, lux and lead time of replacement;
- (g) payment term – payment period and terms; and
- (h) pricing – cost of product.

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Our suppliers for other lighting products, which include mainly LEDs and floods lights, will generally provide warranty on the products they supplied to us ranging from periods of 24 months to 36 months.

Generally, our Directors believe that our Group is not dependent on any single supplier since most of our lighting products are available from various suppliers in the open market. We have already identified several suppliers for each lighting products of our Group. Our Directors believe that substitutes can be easily identified and can be retained under similar commercial terms. Our Group's five largest suppliers accounted for approximately 95.7%, 98.7% and 99.3% of our Group's total purchases for the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014, respectively.

For the financial year ended 31 March 2013, the largest supplier of our Group was OEM A and accounted for approximately 67.6% of our Group's total purchase. For the financial year ended 31 March 2014, the largest supplier of our Group was OEM B and accounted for approximately 52.8% of our Group's total purchase. For the six months ended 30 September 2014, the largest supplier of our Group was OEM C and accounted for approximately 46.2% of our Group's total purchase. Each of OEM A and OEM B is a supplier of our "Tube-in-Tube" Fluorescent Lamps while OEM C is a supplier of our high bay lamps. None of our Directors or any of their respective associates, or any Shareholder who owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date, held any interest in any of our Group's five largest suppliers during the Track Record Period. The length of our business relationship with our top five suppliers ranged from one year to four years.

### 8. INVENTORY CONTROL

The inventory of our Group's operations primarily consists of finished goods. Our inventory represents the lighting products for our trading of lighting products business. We steer to reduce excess levels of finished goods in our inventory while maintaining the ability to meet the demands of our customers. Our lighting products, which include our "Tube-in-Tube" Fluorescent Lamps, LEDs and induction lamps, are procured upon our customers and distributors placing their order. Our suppliers usually take around one to two weeks to produce and deliver the lighting products to us.

Our inventory balances as at 31 March 2013 and 2014 and 30 September 2014 were approximately HK\$0.4 million, HK\$0.4 million and HK\$0.3 million, respectively, and our average inventory turnover days were approximately eight, seven and five days for the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014 respectively.

### 9. QUALITY ASSURANCE

We strive to maintain and improve quality standards and have implemented a comprehensive quality control policy to ensure our solutions and products meet the expectations of our customers. Our Group provides replacement warranty (i.e. if any of our lighting products is spent and upon notification from our customers, we provide and deliver such number of replacement lighting products to our customers upon their return of the corresponding number of spent lighting products) on all our lighting products which generally varies from product to product ranging from periods of 24 months to 36 months.

Quality assurance tops our priority when appraising prospective and existing suppliers. We conduct quality assessment on all prospective suppliers before selecting them as our suppliers. We also monitor the quality of production inputs supplied by our suppliers on an on-going basis. We normally require the subcontracting OEMs to obtain ISO and RoHS quality certifications for its quality management systems and products, respectively.

During the Track Record Period and up to the Latest Practicable Date, our Group had not received any complaints from our customers on the quality of our lighting products.

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While our research and development department conducts the quality assessment for our lighting products, we also engage Fine Sky as our special consultant to, amongst others, perform quality assessment of “Tube-in-Tube” Fluorescent Lamps in various production stages and over finished goods at the factories of the subcontracting OEMs. Fine Sky, one of our Shareholders which owned 4.0% of our Company after the Reorganisation but prior to completion of the Placing, is 100% owned by Mr. Chan and Mr. Ng, the inventors of the “Tube-in-Tube” Fluorescent Lamp technology and have been involved in the continuing enhancement and advancement of “Tube-in-Tube” Fluorescent Lamps. They are familiar with the product specifications and our requirements. On 29 March 2012, SLL entered into a consultancy contract with Fine Sky as extended by an extension letter on 4 September 2013. The appointment of Fine Sky as our Group’s special consultant is for a term up to 30 September 2017 with a fixed monthly fee of HK\$15,000. Fine Sky and the executives appointed by it shall, on an exclusive basis, provide research and development services to our Group and/or our Group’s research and development team with the purpose of promoting and enhancing the “Tube-in-Tube” Fluorescent Lamps and shall be responsible for the development and quality control of such products and that all intellectual property rights of any enhanced/newly developed/improved products/technology/design relating to the “Tube-in-Tube” Fluorescent Lamp technology shall belong to our Group.

During the Track Record Period, approximately HK\$10,000, HK\$15,000 and HK\$19,000 were incurred for the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014 respectively for exchange of our spent lighting products.

### 10. RESEARCH AND DEVELOPMENT

We are committed in conducting continued research and development for advancement in our products, in particular in modifying and enhancing our lighting products to widen their application and to suit the different needs and requirements of different markets. Our research and development department is led by Mr. Reinig, our research and development consultant, who has over 40 years’ experience in the lighting industry. Our research and development team works closely with our sales team, project management team, Mr. Chan and Mr. Ng, the original inventors of the “Tube-in-Tube” Fluorescent Lamp technology, and the research and development team of our designated subcontracting OEMs to develop the lighting products to meet our customers’ needs.

On 30 May 2011, our Group entered into a consultancy agreement (as amended and supplemented) with Mr. Reinig, a German engineer for implementing and improving the IC technology for our “Tube-in-Tube” Fluorescent Lamps. The engagement of Mr. Reinig under the consultancy agreement (as amended and supplemented) is on an exclusive basis, which commenced on 1 May 2011 and shall expire on 29 February 2016 (subject to renewal). Mr. Reinig is engaged to research, develop and implement for our Group an IC technology for our “Tube-in-Tube” Fluorescent Lamp technology with certain specifications especially designed for certain European countries, Asia Pacific countries and North America countries. In return, Mr. Reinig is entitled to an annual remuneration together with additional payment on a discretionary basis. All intellectual property rights related to the IC technology researched, developed and implemented for our Group by Mr. Reinig under the consultancy agreement belong to our Group.

Since the appointment of Mr. Reinig as a consultant to our Group, Mr. Reinig has helped with improving the efficiency and performance of our “Tube-in-Tube” Fluorescent Lamp technology in terms of increasing life time, reducing heat dissipation and achieving higher lumen output by infusing integrated circuit technology with “Tube-in-Tube” Fluorescent Lamp design for our later generations “Tube-in-Tube” Fluorescent Lamps. Besides improving our “Tube-in-Tube” Fluorescent Lamp technology to maintain its competitive edge in the market, Mr. Reinig possesses the knowledge and experiences to customise our “Tube-in-Tube” Fluorescent Lamp technology to accommodate different countries’ laws and regulations in order for us to penetrate new international markets.

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Up to the Latest Practicable Date, we have successfully developed and produced five generations of our “Tube-in-Tube” Fluorescent Lamps. The following is a table showing the features of different generations of our “Tube-in-Tube” Fluorescent Lamp technology:

	<u>1st generation</u>	<u>2nd generation</u>	<u>3rd generation</u>	<u>4th generation</u>	<u>5th generation</u>
Wattage	28W	22W	22W	22W	22W
T5	Non standard	Non standard	Standard	Standard	Standard
Life time	10,000 hrs	18,000 hrs	18,000 hrs	30,000 hrs	30,000 hrs*
Built-in reflector	No	Yes	Yes	Yes	Yes
Technology	Bi-polar	Bi-polar	Bi-polar	IC	IC
Year Launch	2003	2008	2010	2012	2014

\* Life time will be doubled with very minimal maintenance cost

The fifth generation of our “Tube-in-Tube” Fluorescent Lamp utilises the same “Tube-in-Tube” Fluorescent Lamp technology as its previous generations. Life time of the tube is 30,000 hours and can be doubled with minimal maintenance cost. This new generation is an interchangeable T5 light source, such that when the current T5 lamp has reached its end of life, a new T5 lamp can replace the current T5 with minimal cost, thereby prolonging approximately twice its life time when compare with previous generations with minimal additional cost. Aluminium profile is utilised for better heat dissipation for electronics components, which can also prolong the life time of the lighting product.

Our in-house research and development team also researched on, designed and developed our high bay lamp, which uses a circle tube as its light source with an optional aluminium lamp reflector, mirror-like polishing. Its applications include warehouse, car park, repair and maintenance centre, factory and supermarket. We will continue to conduct research and development on our products with the objective of modifying and enhancing our products to widen their application and to meet the requirements of different markets.

Our research and development costs mainly include staff costs, certificates, testing and materials costs. While we conduct research and development activities in the course of our business development, our research and development costs vary with the stage of development of our products in that we generally need to incur higher research and development costs when we seek to customise our lighting products to fulfil the specification or regulatory requirements for a new market, as compared with the subsequent modifications or improvements of our product specifications. The table below sets out our research and development costs charged to the consolidated statement of comprehensive income during the Track Record Period:

	<u>Year ended 31 March</u>		<u>Six months ended</u>
	<u>2013</u>	<u>2014</u>	<u>30 September</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2014</u>
			<u>HK\$'000</u>
Staff costs and consultancy costs	818	816	233
Certificates, testing and materials costs	<u>1,301</u>	<u>1,059</u>	<u>134</u>
Total	<u>2,119</u>	<u>1,875</u>	<u>367</u>

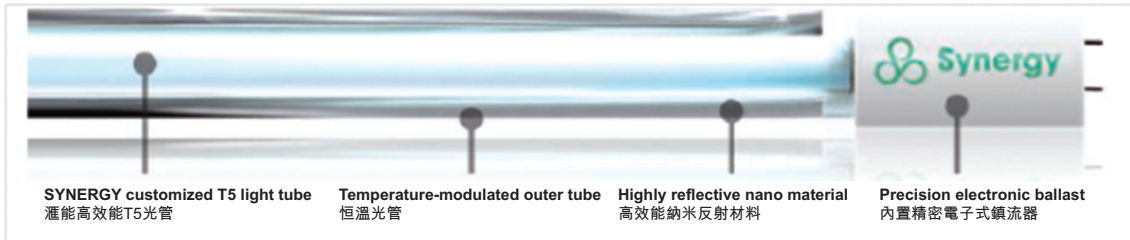
Our research and development costs represented approximately 3.0%, 2.3% and 1.0% of our revenue for the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014, respectively. As we intend to develop new markets with the proceeds raised from the Placing, our Directors expect that our research and development costs will increase in the future.

## 11. INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we are the proprietary owner of the “Tube-in-Tube” Fluorescent Lamp technology in Hong Kong and 12 other countries as further described below.

### “Tube-in-Tube” Fluorescent Lamp technology

Our “Tube-in-Tube” Fluorescent Lamp is a patented fluorescent tube system, which comprises of:



- (a) a customised T5 light tube, which incorporates new generation of tri-phosphor and embedded reflective material to enhance luminosity and to reduce lumen depreciation;
- (b) a temperature-modulated outer tube, which keeps the fluorescent tube under modulated working environment to maximise performance and product life;
- (c) highly reflective nano material, which increases luminosity as compared with the traditional fluorescent tube; and
- (d) a built-in electronic ballast.

Our “Tube-in-Tube” Fluorescent Lamp technology is distinguishable from traditional fluorescent tube in a number of key aspects:

- (a) each traditional fluorescent tube comprises only one tube, which is the light emitting source; while each of our “Tube-in-Tube” Fluorescent Lamp comprises of an inner light emitting tube and an outer protective/stabilising tube;
- (b) a reflective material is inserted between the inner light emitting tube and the outer protective/stabilizing tube of each of our “Tube-in-Tube” Fluorescent Lamp, which the traditional fluorescent tubes do not have;
- (c) the size of the fixtures of traditional fluorescent tube are different, while our “Tube-in-Tube” Fluorescent Lamps can be installed on fixtures for T8 to T12 respectively;
- (d) each of our “Tube-in-Tube” Fluorescent Lamp has a built-in electronic ballast, whereas the T8 fluorescent tube requires an external ballast; and
- (e) the electricity consumption of our “Tube-in-Tube” Fluorescent Lamp is around 50% of a T8 fluorescent tube, for according to EMSD a 5’ T8 fluorescent tube with an external ballast consumes approximately 70W of electricity per hour, while our 5’ “Tube-in-Tube” Fluorescent Lamp with a built-in electronic ballast consumes approximately 30W of electricity per hour.

Our “Tube-in-Tube” Fluorescent Lamps is a retrofit product. It can be installed on fixtures for T8 to T12 without any modification. However, as our “Tube-in-Tube” Fluorescent Lamp has a built-in electronic ballast, which T8 fluorescent tube does not, we have to bypass or remove the existing ballast installed on the fixtures at the time when we install our “Tube-in-Tube” Fluorescent Lamps for our customers. After the existing ballast is bypassed or removed, our customers cannot replace our “Tube-in-Tube” Fluorescent Lamps with the T8 fluorescent tubes without reinstating the ballast.

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On the other hand, if our customers intend to replace our “Tube-in-Tube” Fluorescent Lamps with existing T5 tubes, they have to replace the fixtures of the lighting system as the existing T5 tubes are not retrofit products for T8 lighting fixtures. LED tube, like our “Tube-in-Tube” Fluorescent Lamp, could be used as a retrofit product (which at the time of installation bypassing or removal of the ballast (if any) is required). However, given the existing price difference between our “Tube-in-Tube” Fluorescent Lamps and a LED tube (considering the selling price of our “Tube-in-Tube” Fluorescent Lamps and LED tubes for our direct sales), our Directors are of the view that our “Tube-in-Tube” Fluorescent Lamps are not easily replaceable by the LED tubes.

Although our customers may replace our “Tube-in-Tube” Fluorescent Lamps with LED tubes, they have to bear the upfront costs of the lighting products while under our energy saving solutions our customers are generally not required to pay any upfront costs.

Our Directors believe that taking into account of the upfront investment needs to replace and reinstall the fixtures in order to convert from T8 to other energy saving lighting products such as T5 or LEDs, our “Tube-in-Tube” Fluorescent Lamp technology is not readily replaceable by these other energy saving lighting products in the foreseeable future.

### Our registered patents

Our patented “Tube-in-Tube” Fluorescent Lamp technology was invented by two Hong Kong inventors. Our Group began to acquire the right in the patents relating to the “Tube-in-Tube” Fluorescent Lamp technology back in 2009. From 29 May 2009, we acquired the right to use and exploit the patents in various countries across the globe on an exclusive basis. Set out below are the patents we acquired which are valid and subsisting as at the Latest Practicable Date:

Country	Patent No.	Title	Application No.	Validity Period
Australia	2003252529	A New Fluorescent Lamp	2003252529	28/7/2023
Canada	2,495,809	Fluorescent Lamp Tube	2,495,809	28/7/2023
Hong Kong	1120360	Replaceable Electronic Tube in Tube	08111470.8	15/10/2016
India	239705	Fluorescent Lamp with Electronic Ballast	505/DELNP/2005	28/7/2023
Indonesia	ID 0021418	Fluorescent Lamp Tube	W-00200500466	28/7/2023
New Zealand	538570	A New Fluorescent Lamp	538570	28/7/2023
Philippines	1-2005-500361	A New Fluorescent Lamp Tube	1-2005-500361	28/7/2023
Russian Federation	2308783	Fluorescent Lamp	2005108353	28/7/2023
Singapore	110354	A New Fluorescent Lamp	200500702-6	28/7/2023
South Africa	2005/01995	A New Fluorescent Lamp	2005/01995	28/7/2023
South Korea	713196	A New Fluorescent Lamp	2005-7002631	28/7/2023
USA	7,083,309	Fluorescent Lamp Tube Having Integrated Electronic Ballast	10/498,629	28/7/2023
Vietnam	5668	A New Fluorescent Lamp	1-2005-00271	28/7/2023

Hong Kong Short-term Patent No. 1052834 (expired on 22 August 2010) discloses a new type of fluorescent lamp tube comprising: a lamp tube, an integrated electronic ballast, and an outer tube having two ends with outer plugs for respectively plugging into two lamp tube sockets.

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Hong Kong Short-term Patent No. 1120360 is an improvement over Hong Kong Short-term Patent No. 1052834 by providing a technical solution which is lacking in Hong Kong Short-term Patent No. 1052834. The electronic ballast in Hong Kong Short-term Patent No. 1052834 is affixed to the luminescent unit and if it does not function properly, the entire fluorescent lamp has to be replaced. The fluorescent lamp in Hong Kong Short-term Patent No. 1120360 features a fluorescent lamp with detachable electronic ballast so that if the electronic ballast or luminescent unit does not function properly, they can be replaced individually.

As advised by our Hong Kong legal advisers as to intellectual property rights, an invention is generally patentable if it is susceptible of industrial application, is new and involves an inventive step. Provided that an improvement to an existing invention meets these requirements, the improvement is in itself capable of being the subject matter of a new patent or patent application.

For a short-term patent to be granted in Hong Kong, the patent application has to meet all the formal requirements laid down in the Patents Ordinance. The Registrar of Patents of Hong Kong, after having conducted formality examination, was satisfied that the invention in Hong Kong Short-term Patent No. 1120360 met all those requirements set out in the Patents Ordinance.

The patents granted in Australia, Canada, India, Indonesia, New Zealand, Philippines, Russian Federation, Singapore, South Africa, South Korea, USA and Vietnam cover the first generation of the “Tube-in-Tube” Fluorescent Lamp technology whereas the patent in Hong Kong covers the third generation of the “Tube-in-Tube” Fluorescent Lamp technology. In making further improvements to our “Tube-in-Tube” products, we adopted our own techniques and know-how from years of research and development as well as commercial experiences in “Tube-in-Tube” Fluorescent Lamp technology in the fourth and fifth generations of our “Tube-in-Tube” Fluorescent Lamps. Although part of the technology of such later generations of our “Tube-in-Tube” Fluorescent Lamps (i.e. those covered under the third generation) is protected by our Hong Kong patent, these improvements do not involve novelty or inventive steps as such for them to be protected as invention patents or utility model patents. We are advised by our Hong Kong legal advisers as to intellectual property rights that such improvements can, nonetheless, be protected as our Group’s trade secrets/proprietary information and/or copyright.

### **Our expired patents**

We are advised by our Hong Kong legal advisers as to intellectual property rights that for the three patents relating to our “Tube-in-Tube” Fluorescent Lamp technology in China, Germany and Hong Kong which were expired in September 2012 (for China Patent No. 02254617.0), August 2012 (for German Patent No. 20321697.0) and August 2010 (for Hong Kong short-term Patent No. 1052834) respectively, they have already reached their full term of protection and renewal of these three patents is not possible. Both the patents obtained in China and Germany, which are now expired, were utility model patents and their full term of protection is 10 years from the date/month of filing. The patent obtained in Hong Kong which is now expired is a short-term patent and has a term of protection of 8 years from the date of filing. Once expired, the technology will fall into the public domain in these countries and the Group will not have a monopoly to use the technology. Nevertheless, we own a valid patent in Hong Kong which is an improvement over the expired Hong Kong patent by providing a technical solution which is lacking in the expired patent, details of which are set out in the paragraph headed “Intellectual property rights – Our registered patents” in this section. During the Track Record Period, no revenue has been generated in China or Germany, while the revenue generated from Hong Kong was approximately HK\$45.2 million, HK\$42.9 million and HK\$15.8 million respectively, representing approximately 63.8%, 53.6% and 41.8% of our total revenue.



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Our Directors are of the view that whether or not other parties have obtained patents for products with similar features or functions of our Group's "Tube-in-Tube" product will not affect the sustainability of our Group's business since any valid patent obtained by any other party will only cover features that are novel and inventive over the "Tube-in-Tube" Fluorescent Lamp technology. More importantly, through years of research and development, and adjustment made to the "Tube-in-Tube" Fluorescent Lamp technology, our Group already has a firm grasp of the technology and its products, professional services rendered and brand name have established confidence among its customers. Our Directors believe that our Group still has a competitive edge over newcomers to the "Tube-in-Tube" Fluorescent Lamp technology.

In addition to the foregoing, we have retained the original inventors of the "Tube-in-Tube" Fluorescent Lamp technology and a German engineer specialised in this area as our consultants to further improve and develop our "Tube-in-Tube" Fluorescent Lamp technology. We also place emphasis in developing long term customers' relationship and in catering for their requirements, and one way to achieve this is to develop and modify our existing products into retrofit lighting products that suit their existing systems. Technology aside, we believe our early entry into this energy saving lighting market, evidenced with our successful track records in terms of attracting multi-national and large-sized local corporations to sign our EMCs and industry recognitions in terms of the awards we received, allows us to maintain a competitive edge over other potential competitors in terms of credentials, reputation and track record in this market.

Although third parties may be able to utilise the technologies specified under the expired patents in these three regions, which potentially may compete with us, our Directors consider that our Group's future business development will also be dependent on (i) increased market awareness and reputation of our Group; (ii) our successful track records in implementing energy saving solutions with our corporate customers; and (iii) the credentials and relationships established with our leasing services corporate customers. Our Directors consider that potential competitors in Hong Kong may find it difficult, in terms of time and effort, for them to successfully establish their reputation, track records and relationships with our existing or potential customers in Hong Kong where we have already developed successfully for years. Therefore, our Directors are of the view that the three expired patents are not crucial to our Group's business and our Group can sustain our business going forward.

In relation to China, our Directors are of view the expiration of our Group's patent in PRC will not hinder our Group's development of the energy saving solutions business in the PRC. The dependence of our Group's patents to conduct business has been compensated by our Group's efforts in improving the energy efficiency "Tube-in-Tube" Fluorescent Lamps which is evidence of our Group's continued commitment to the research and development of our products. Also our Group has established our credentials, track record, and brand through working with sizable reputable customers in Hong Kong and through our overseas distributors. To this end, our Group's credential and track records in Hong Kong and overseas not only show the market acceptance of our Group's products but also give confidence to the end customers of our Consultancy Services customers in purchasing our products. Our Group believes that even with the expiration of the patent in China, new competitors with no prior experience in the energy saving lighting industry but only having products similar to our Group's "Tube-in-Tube" Fluorescent Lamps or those with prior experience in the energy saving lighting industry but without proven track records similar to our Group would have great difficulty in marketing their products and services to their customers.

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In relation to Germany, the situation will be similar to other countries where we have not registered our patents and we may face potential competition from third parties utilising our technologies. Details of the patent laws and regulations in different jurisdictions in which the patents relating to our “Tube-in-Tube” Fluorescent Lamp technology are registered and the consequences/implications of the expiry of the patents are set out in the section headed “Regulations” in this prospectus.

Moreover, to keep ourselves abreast of the market direction and upcoming trend in this energy saving lighting industry, we have been participating as an exhibitor or as a visitor in lighting fair during the Track Record Period. These lighting fairs not only give us exposure to potential customers from around the world, they also enable us to monitor and obtain up-to-date and current trend and information of the activities and products of other market players or potential competitors.

Furthermore, through interaction with potential customers during marketing activities and with existing customers when providing leasing services and/or negotiating renewals of the leasing services, we will be able to understand the actual commercial needs of our customers and potential customers.

We believe the above actions we have been taking would enable us to maintain our competitive edge in this market.

Whether for markets in Hong Kong, overseas, and the PRC, our Directors consider that the patents would not be the most crucial factor in developing our business in comparison with the startup stage of the business as our products have gained recognition in a number of markets worldwide. Our Group is now in the business development stage where it is more dependent on our continuously growing credential and track record to promote our business and future development would hinge on our continuous research and development as shown by the substantial improvement made for each newer generation of our Group’s “Tube-in-Tube” Fluorescent Lamp.

Apart from the three expired patents as mentioned above, our Group owns, possesses, and has the right to use the intellectual property rights as set out in the table above. Our Directors confirm that there is no material violation or infringement of any intellectual property rights of our Group by any third parties or vice versa during the Track Record Period and up to the Latest Practicable Date.

At the early development stage of our Group, we were dependent on our patents and our primary product, “Tube-in-Tube” Fluorescent Lamps. Since we have been gaining market recognition in our energy saving solutions, which uses, among others, our “Tube-in-Tube” Fluorescent Lamps, we are able to rely more on our reputation and our energy saving solutions experience for future business growth.

### **Our certifications**

We have successfully obtained different certifications for our patent “Tube-in-Tube” Fluorescent Lamp in order for us to explore overseas markets. As at the Latest Practicable Date, we have obtained the following certifications:

<b>Certifications</b>	<b>Countries</b>
CE	European markets
C Tick	Australia and New Zealand
PSE	Japan
TISI	Thailand
UL	USA and Canada

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### 12. PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any self-owned property. As at the Latest Practicable Date, we have leased an office in North Point and one warehouse in Tokwawan. Our Directors confirm that, as at the date of this prospectus:

- (a) our Group does not carry on any “properties activities” and does not have any property interest that would form part of “property activities” as defined under Rule 8.01(2) of the GEM Listing Rules and section 6(7) of the 32L Notice; and
- (b) no single, and the aggregate property interests of our Group that form part of “non-property activities” as defined under note to Rule 8.01(2) of the GEM Listing Rules and “Type A interest” under section 6(7) of the 32L Notice respectively have a carrying amount of 15% or more of our Group’s total assets as at 30 September 2014.

Accordingly, pursuant to section 6(2) of the 32L Notice, this prospectus has complied with the conditions specified in section 6(3) of the 32L Notice and is therefore exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires this prospectus to include a valuation report with respect to all our Group’s interests in land or buildings.

For the same reasons, we are also exempted under the GEM Listing Rules to include a valuation report in this prospectus.

An overview of all the leased properties of our Group is set out below:

No.	Description/Location	Gross Floor Area	Building Usage	Lessor	Lessee	Existing Usage	Lease term	Current Monthly Rent
								HK\$
1.	Factory C on the 8th Floor of Shun Wai Industrial Building No. 15 Yuk Yat Street Tokwawan Kowloon Hong Kong	210 sq.m.	Industrial (warehouse)	Luen Woo Cheong Investment Company Limited	SLL	Storage	1 year from 1 September 2014 to 31 August 2015	16,950 inclusive of Government rates and rent, and property tax, but exclusive of management fee
2.	Unit B404B, 4th Floor, Block B, Sea View Estate, Nos. 4-6 Watson Road, Hong Kong	4,000 sq.ft.	Industrial	Cityland Properties Limited	SLL	Office and warehouse	Two years from 15 September 2014 to 14 September 2016 (with an option to renew for two years from 15 September 2016 to 14 September 2018)	78,000 exclusive of management fee, rates, Government rent and other outgoings

While the Tokwawan warehouse which is leased from Luen Woo Cheong Investment Company Limited, a company wholly and beneficially owned by uncles of Mr. Arthur Lam, an executive Director, and constitutes a continuing connected transaction of our Company, the North Point office is leased from an Independent Third Party. Further details of the continuing connected transaction are set out in the section headed “Connected transactions” in this prospectus.

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We do not own any manufacturing facilities and our business operations do not require special design and conditions for the properties to be used for our business operations, other than applying as a registered chemical waste producer in respect of our warehouse for the proper storage of our fluorescent tubes and replaced or spent fluorescent tubes from our leasing services customers for proper disposal (please refer to the paragraph headed “Environmental protection” in this section for further details). Notwithstanding that, we do not believe it would be difficult for us to relocate to other comparable properties in Hong Kong to carry on our business at comparable rental rates and we believe the costs of such relocation would be immaterial.

### 13. INSURANCE COVERAGE

We have taken out and maintained insurance policies in respect of contractors’ all risks for the deployment works carried out by our deployment subcontractors in relation to our energy saving projects. The coverage of such insurance policies includes all works performed by our Group and all our deployment subcontractors.

We have also taken out and maintained comprehensive property insurance against loss or damages of our Group’s properties, including our business furniture, fixtures and fittings, machinery, plant and all other contents. We also maintain all our necessary insurance policies in respect of employees’ compensation. Although our Group does not have any product liability insurance coverage, based on our Group’s dealing and discussions with our customers (especially those for our leasing services), our Directors are of the view that our Group’s insurance coverage is adequate for our operation. In addition, we have not experienced any material difficulties in renewing our insurance policies since we commenced our business.

During the Track Record Period and as at the Latest Practicable Date, the Directors were not aware of any material third party liability claim relating to our Group’s business.

### 14. ENVIRONMENTAL PROTECTION

Under our EMC, we may be required by our leasing services customers to dispose of their replaced or spent fluorescent tubes. These replaced or spent fluorescent tubes are required to be properly disposed of under the Waste Disposal Regulation because these tubes contain a hazardous chemical waste – mercury as stipulated under the Waste Disposal Regulation. Accordingly, we have been a waste producer registered with the Director of Environmental Protection in respect of our warehouse where the chemical waste for spent mercury-containing lamp is produced for the purposes of proper storage of these spent mercury-containing lamps. We engage external contractors which are registered chemical waste collectors for recycling management for collection of these spent mercury-containing lamps for proper waste disposal.

We have adopted a systematic waste disposal procedure. After we collect the malfunctioned fluorescent tubes from our customers or when we are requested by our customers to handle other obsolete or spent lighting products, we will transport them to our registered warehouses for storage and handling. For malfunctioned “Tube-in-Tube” Fluorescent Lamp lighting products, we will dismantle the fluorescent tubes from the ballasts. The fluorescent tubes will be stored together with other obsolete lighting products pending collection and recycling. When they have been accumulated to a designated level, we will engage external licensed chemical waste collectors for recycling management for proper waste disposal.

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For the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014, we incurred approximately HK\$6,000, HK\$13,000 and HK\$4,000 respectively for the implementation of environmental protection measures, which represented approximately 0.01%, 0.02% and 0.01% of our total revenue for the respective period. Our Directors believe that the future cost of compliance with the applicable environmental laws, regulations and ordinances, or exposure to liability for environmental claims, will not be substantial and will not have a material adverse impact on our business operations or financial position.

### 15. REGULATORY COMPLIANCE

#### Non-compliance of IRO

Pursuant to section 51 of IRO, an assessor of the IRD may give notice in writing to any person requiring him within a reasonable time stated in such notice to furnish any return which may be specified by the Board of Inland Revenue for profits tax.

SLL was established by Mr. Alastair Lam in December 2008 and two other Directors, Mr. Mansfield Wong and Mr. Arthur Lam, officially joined SLL only in July 2009. At the beginning, its management devoted most of their time to development and generation of new businesses and securing new clients, sourcing supplies from suppliers, planning and management to ensure a viable business model, and controlling the costs of business due to the limited startup capital. As the business scale of SLL was comparatively small in its formative years, its management endeavored to control costs by hiring a small team of staff who concentrated their time and effort on business development and project planning for SLL. SLL also incurred net loss for the financial year ended 31 March 2010 and as no taxes were payable for that financial year, its directors were under the mis-conception that tax filing for that financial year was not required notwithstanding that a notice to file the Return for Profits Tax was issued to SLL on 4 June 2010 to be filed by 4 September 2010.

Although SLL subsequently approached advisers to provide accounting services, their services involved advice on accounting treatment issues relating to the business of SLL as its business model is quite unique in Hong Kong and professional advice was needed on such accounting issues. The scope of services did not include the filing of taxation returns or taxation related matters, as the Directors considered that no tax filing is required for the financial year ended 31 March 2010 with no taxes payable, hence SLL did not obtain separate advice from them to apply for an extension for tax filing. It was not until September 2011 when SLL received a Summons to appear in the Eastern Magistrates' Court for late tax filing that its directors realised that tax filing for the financial year ended 31 March 2010 was required despite there was tax losses for that financial year. Immediately, SLL appointed auditors in October 2011 to prepare audited financial statements for the year ended 31 March 2010. SLL then attended the Eastern Magistrates' Court on 30 November 2011 and was fined HK\$2,000 for the late tax filing. As more time is needed to prepare the audited financial statements and tax return, an application for extension was made on 30 December 2011 but was rejected by the IRD on 10 January 2012. Our Group then took the initiative to prepare the financial statements and liaised with the auditors to prepare the audited financial statements of SLL for the three financial years ended 31 March 2010, 2011 and 2012 and to notify the IRD the chargeability of tax for SLL for the years of assessment 2010/2011 and 2011/2012. Although SLL was profitable for the year of assessment 2010/2011, due to the Directors' unfamiliarity with the requirements of the IRO at that time, the Directors were awaiting a notice from the IRD to furnish a tax return to the IRD for that year of assessment, and were not aware that despite SLL not receiving any such notice, SLL was still required to inform the IRD of its chargeability of tax not later than four months after the end of that year of assessment under section 51(2) of the IRO. The personnel involved in the above non-compliance incident was an ex-employee who was the then financial controller of SLL.

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Our Group finally filed SLL's Return for Profits Tax for the financial year ended 31 March 2010 in September 2012. Our Group had received profit tax returns for 2010/2011 and 2011/2012 dated 4 February 2013 for SLL. Our Group had completed and filed the said returns to the IRD on 25 February 2013.

Our Group was advised by our Hong Kong legal adviser, that as SLL failed to file a profits tax return by the filing deadline for the year of assessment 2009/2010 and to notify chargeability to tax within the deadline for the year of assessment 2010/2011, it may be prosecuted under section 80(2) of the IRO. The offence is subject to a fine up to HK\$10,000 and treble the amount of the tax undercharged. As an alternative to proceeding with a prosecution, the Commissioner of Inland Revenue might assess additional tax under section 82A of the IRO. The maximum amount of additional tax payable under section 82A of the IRO is treble the amount of the tax undercharged. The maximum amount of tax penalty for the late filing and failure to notify chargeability to tax that could be imposed by the IRD is approximately HK\$6.6 million (which is HK\$10,000 and three times the profits tax payable by SLL for the tax year ended 31 March 2011). Such matter has been disclosed as contingent liability of our Group.

As at the Latest Practicable Date, the assessment of nil, HK\$2.2 million and HK\$4.2 million Profit Tax for the year of 2009/2010, 2010/2011 and 2011/2012 have been received and fully settled respectively and there is no tax penalty notification received from the IRD. However, under section 80(3) of the IRO, we might still be liable to penalty under section 80(2) of the IRO if a complaint concerning such offence was made in the year of assessment or during which the offence was committed or within 6 years after the expiration thereof.

Mr. Mansfield Wong, Abundance and Mr. Arthur Lam, each being a Controlling Shareholder, will jointly and severally indemnify and keep the Group indemnified against any penalty that may be imposed on SLL for its breach of section 51 of the IRO under the Deed of Indemnity. Details of the Deed of Indemnity are set out in paragraph D1 of the Appendix IV to this prospectus.

The incident of late filing of tax return of SLL to the IRD in 2010 was the result of oversight and mis-conception. As it was not the result of commission of any fraud of any of the directors of SLL, or schemes designed to evade taxes, the Sponsor considers the late tax filings of SLL did not attribute any question on the character or integrity of the directors of SLL and would not affect the competence of the Directors under GEM Rules 5.01 and 5.02.

As the business of our Group having since grown to a more sizeable scale, our Group has engaged additional staff specifically assigned with the monitoring and handling of tax filings and other administrative filings and registrations required under applicable laws, and reporting periodically to our Group's management, with the aim to avoid a repeat of such incidents.

Since December 2011, we have employed our Chief Financial Officer, who is responsible for our Group's financial planning and management, and corporate governance. Moreover, we adopted certain internal control measures in September 2012 to prevent reoccurrence of late tax filing. Such internal control measures include (i) maintaining a register to record different natures of taxes to be filed, tax filing deadlines, responsible person and status, (ii) tax filing tasks being established as an electronic to-do list items for all staff in our Finance Department, and (iii) a reminder is set at least one month prior to the tax filing deadline. Our Chief Financial Officer will further send a reminder email to all staff in our Finance Department for preparation of tax filing in advance, and who will be responsible for submission of the tax filing documentation to the management for approval. Our Directors believe that with the supervision of and coordination by our Chief Financial Officer, the overall control in our internal control systems will be enhanced and the likelihood of late filing of return for profits tax would be minimised in the future.

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Our Directors had taken a few remedial actions in December 2012 to avoid any further breach of directors' duties including (1) aside from business planning, segregate a portion of the time to oversee operations and compliance of laws and regulations by the companies within our Group, and (2) attended directors training on the GEM Listing Rules and the Hong Kong companies law held by our Hong Kong legal advisers in December 2011, March 2013 and December 2014, and attended directors' training on tax compliance in Hong Kong held by our tax representative in August 2013. We have also designated Mr. Mansfield Wong, the Chairman, Chief Executive Officer and executive Director of our Group, as the compliance officer of our Group to oversee all compliance matters.

Our Directors will continue to comply with all regulatory requirements and devote all their attention to the affairs of our Group. To ensure that the various companies incorporated in Hong Kong within our Group are able to file Profit Tax return with the IRD on time in the future, our Group has adopted internal control measures to prevent the recurrence of late tax filing.

Going forward, our Group's audit committee which comprises of three independent non-executive Directors namely Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony will be responsible for reviewing the financial statements and making advice in respect of financial reporting and overseeing internal control procedures of our Group. This can further enhance the compliance of all regulatory requirements by our Group.

### **Non-compliance of TMO**

Pursuant to section 94 of the TMO, a person commits an offence if he, knowingly or has reason to believe that the representation is false, falsely represents that a sign is a registered trade mark or makes a false representation as to the goods or services for which a trade mark is registered. For the purpose of section 94 of the TMO, the use in Hong Kong in relation to a trade mark of the word "registered" or any other word or symbol importing a reference to registration, either expressly or impliedly, is deemed to be a representation as to registration.

Due to our misunderstanding of the relevant law, our Group had inadvertently put the symbol ®, which is a symbol importing a reference to registration of a trade mark, next to the text "Tube-in-Tube" on our Group's website, marketing materials and certain documentations. The symbol "®" had never been used on any of the Group's products at any point of time. It was used on our Group's marketing materials from January 2011 until August 2012 and on our Group's website from August 2011 to August 2012. Our Directors confirmed that there is no revenue derived from any of our Group's products using the symbol ®. In around August 2012, we had been advised by our Hong Kong legal advisers as to intellectual property rights that our use of the symbol ® is against section 94 of the TMO. We have ceased using the symbol ® next to the text "Tube-in-Tube" on our websites and all our marketing materials and documentations. The personnel involved in the above non-compliance incident was Mr. Arthur Lam, our executive Director.

Our Group was advised by our Hong Kong legal advisers as to intellectual property rights that we are liable to a fine at level 3, i.e. of HK\$10,000 for use of the symbol ®. Based on the available information, we estimate that there is a slight possibility that we will be penalised due to the non-compliance incident described above. Our Directors are of the view that such incident will not have any material adverse impact on our business, financial condition and results of operations. Hence, we have not made provisions for the non-compliance incident above.

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After we were advised by our Hong Kong legal advisers as to intellectual property rights that our use of the symbol ® contravenes the TMO, we have ceased using the symbol ®. We further adopted certain internal control measures in January 2013 (which is updated from time to time) to prevent recurrence of similar incidents in the future. Such internal control measures include a senior executive being delegated to prepare and maintain a complete list of intellectual property rights (including trade marks, patents, copyright, design and domain names) of our Group, and the same will be approved by the management and will be updated from time to time to ensure that the information in the list is accurate and up to date. Our Directors will have ready access to the list. Moreover, standard protocol will be implemented before the launch of any updated website/promotional materials/packaging materials/new products, where Mr. Cheng Chi Kuen, the Chief Operation Officer is delegated to cross check the list of intellectual property rights of our Group. Furthermore, all of our Group's website contents are now being stored in the Group's encrypted and dual password protected MySQL database and only the web administrator and the Chief Operation Officer together can log in to the database to make changes. The Chief Operation Officer will also take on the final verification role for any changes of the website and the marketing materials to make sure they comply with the relevant regulations before they are launched to the public. We also issued an internal memorandum to our staff instructing them not to use or apply the symbol ® to the text "Tube-in-Tube" on our website, marketing materials and all documentations. We also educated our staff the importance of the intellectual property rights and the consequences of any non-compliance thereof, with a view to minimise the risk that our Group will face in relation to any breach of the TMO by posting internal memorandum to our staff.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, other than the above-mentioned, our Group had complied with all applicable laws and regulations in the jurisdictions in which it operates and has obtained all the necessary permits, certificates, registrations and licences for our operation since the establishment of our Group.

We were advised by our Hong Kong legal advisers that we have obtained and currently maintain all necessary permits, certificates, registrations and licences which are material to our business in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

### **Review by the Internal Control Consultant**

In preparation for the Listing, we have engaged an internal control consultant (the "**Internal Control Consultant**"), to conduct a comprehensive review of our Group's internal control system as described in the paragraph headed "Internal control measures for legal and GEM Listing Rules compliance" below in this section. The Internal Control Consultant noted that we have implemented all the major recommended internal control measures.

### **Views of our Directors and the Sponsor**

Notwithstanding the key historical non-compliance incidents disclosed in this prospectus, in view of the rectification actions taken by us, the adoption of all of the major recommendations made by the Internal Control Consultant, and the enhanced internal control measures which had been adopted and implemented by us to the satisfaction of the Internal Control Consultant to avoid recurrence of the above non-compliance incidents, our Directors are of the view that our Group's internal control system is adequate and effective. After reviewing the internal control report, the rectification actions taken by us, and the enhanced internal control measures adopted and implemented by us to the satisfaction of the Internal Control Consultant, the Sponsor concurs with our Directors' view.



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Furthermore, having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section of this prospectus, their nature and materiality, the rectification actions taken and our Group's internal control measures to avoid recurrence of these non-compliance incidents, our Directors are of the view that these past non-compliance incidents do not involve any dishonesty on the part of our Directors. Furthermore, our Directors are of the view that the non-compliance incidents were due to inadvertence in which those Directors who are involved did not breach the relevant laws and regulations deliberately or intentionally. Hence, our Directors are of the view that they have the character, experience, integrity and competence and their involvement in these past non-compliance incidents do not affect their suitability to act as directors of a listed issuer under Rules 5.01, 5.02 and 11.07(1) of the GEM Listing Rules, and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules. Further, our Board include member who is a professionally qualified accountant, namely Mr. Chung Koon Yan, our independent non-executive Director, who has extensive experience in financial and compliance matters of listed companies. We will also engage external professional advisers to advise us on compliance matters. Our Directors are of the view that the above measures will prevent future occurrence of non-compliance incidents. Based on the above, the Sponsor concurs with our Directors' view.

### **16. INTERNAL CONTROL MEASURES FOR LEGAL AND GEM LISTING RULES COMPLIANCE**

Our Group has adopted our internal control procedures, systems and controls, including accounting policies and legal compliance measures. In particular, we have taken the following measures to ensure compliance with the applicable laws and regulations and the GEM Listing Rules:

- (a) We have engaged an independent Internal Control Consultant in October 2014 to review and comment on the internal control policies, procedures and controls of our Group including corporate level controls, financial reporting and disclosure controls and business activity level controls, and provide recommendations for improving our internal control system. We have adopted and implemented the additional measures advised and recommended by the Internal Control Consultant to strengthen the internal control system, which include further strengthening of our board meeting filing system and monitoring of credit limit.
- (b) We have appointed a tax representative (which is a consultancy firm that specializes in, amongst others, offering cross-border taxation advisory services in Hong Kong) to advise and handle the relevant matters in relation to IRO. We have also engaged a legal adviser as to laws of patent and trademark to assist and advise our Group in handling the matters in relation to TMO.
- (c) We have arranged trainings for our Directors on the applicable laws and regulations, which include training on GEM Listing Rules and the Hong Kong companies law by our Hong Kong legal advisers in December 2011, March 2013 and December 2014 and training on tax compliance in Hong Kong by our tax representative in August 2013.
- (d) We have designated Mr. Mansfield Wong, the Chairman, Chief Executive Officer and executive Director of our Company, as the compliance officer of our Company with the assistance of the Chief Operation Officer and the Chief Financial Officer to oversee all compliance matters.
- (e) A compliance adviser is engaged in March 2015 to advise our Group on matters relating to the GEM Listing Rules and the SFO. Our Group will also seek for legal opinion and advice from legal advisers when issues on other laws and regulations arise.
- (f) We have also formed the Audit Committee in March 2015, which will be responsible for reviewing the financial statements and making advice in respect of financial reporting and oversees internal control procedures of our Group.

The Board considered the foregoing measures are sufficient and effective to ensure our compliance with the applicable laws and regulations in the future. Our Directors and senior management would monitor the internal control policies on a regular basis which will be reviewed by our audit committee and external auditors.

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### 17. RECOGNITION AND AWARDS

Our “Tube-in-Tube” Fluorescent Lamp technology had been granted the following awards and accreditations:

Awards/Accreditations	Granting organisation	Date
Gold Award	PRC National Exhibition of Inventions	2005
Hong Kong Awards for Industries Consumer Product Design – Certificate of Merit	Federation of Hong Kong Industries	2005
Bronze Medal Award	Taipei International Invention Show and Technomart Invention Contest	2 September 2006
Outstanding Chinese Patented Invention Award	State Intellectual Property Office of the PRC	October 2009

Our Group members had been granted the following accreditations in recognition of our success and achievements:

Awards/Accreditations	Name of Company	Granting organisation	Date
Outstanding Green Excellence Awards	SLL	CAPITAL magazine and South China Media	2009
Capital Entrepreneur Green Enterprise Awards – 1st Runner up	SLL	CAPITAL Entrepreneur magazine	2010
The Best SME Partners 2010	SLL	Economic Digest	2010
Prime Awards for Eco-Business	SLL	Prime magazine and Business Environment Council	2010
Productwise Label Awardee “Class of Good” Productwise Label	SLL	Hong Kong Awards for Environmental Excellence	2010
“Power Smart” Biggest Recommendation Certificate (Company)	Our Company	Friends of the Earth (HK)	2012

### 18. COMPETITION

According to the Ipsos Report, we are the fourth largest energy management contract provider for lighting projects in Hong Kong in terms of total revenue of the energy saving and management solutions industry for the year ended 31 December 2013. For details, please refer to the section headed “Industry Overview – Competitive analysis of energy saving and management industry for lighting projects in Hong Kong” in this prospectus.

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According to the Ipsos Report, the overall energy saving market in Hong Kong is quite fragmented, however, ESCOs dominate the market for EPC projects. The lighting EPC market in Hong Kong is dominated by approximately 15 ESCOs, generating estimated revenue of HK\$472 million from lighting EPC projects in 2013. Three of these ESCOs specialise in lighting and either produce or supply LED and T5 lighting products, among which our Group is one of them.

The top 5 ESCOs providing EPC services in lighting projects in Hong Kong account for approximately 47% of the total revenue of the energy saving and management solutions industry in 2013. As of 2013, our Group holds approximately 3.5% market share of the energy saving and management solutions industry, and approximately 5.8% market share of the energy saving and management solutions for lighting industry.

We are a Hong Kong based group which provides comprehensive solutions to reduce energy consumption in general lighting without requiring any upfront investment from our customers. We believe that competition in this market is based on the following principal factors: (1) the range and quality of the products offered; (2) ability to launch new and relatively more efficient products to the market; (3) pricing; (4) length of service; and (5) customer service.

According to the Ipsos Report, the majority of players in Hong Kong's energy saving market only provide limited services, such as energy auditing, or consulting services and they often do not offer installation and EPC services for retrofitting projects. As an integrated energy saving solutions provider specialising in lighting solutions and possess a full range of capabilities which allows us to provide a broad range of services, we believe we can be distinguished from our competitors.

In terms of our products offered, according to the Ipsos Report, currently none of the key ESCO competitors with production capacity has comparable patented technology in the Tube-in-Tube segment which, combined with our OEM capabilities, constitutes another competitive advantage of our Group. Our Group is able to offer easy adoption and sustainable solutions for retrofit works with "Tube-in-Tube" Fluorescent Lamps, meaning its installation does not require replacement of the existing lighting fixtures and thus reducing upfront investment, whereas, according to the Ipsos Report, most energy saving lighting solutions would normally require replacement and/or modifications of lighting fixtures that are relatively more time consuming with higher costs. This is advantageous for us compared with competitors that offer only LED or standard T5 products.

A solid track record is important for demonstrating capability, capacity and trust to potential customers. Our proven track record of leasing services in Hong Kong, as demonstrated by the favourable market responses concerning our business model we received from our customers, which include reputable and/or multi-national corporations in Hong Kong, makes it a distinguishing factor when comparing with our competitors.

In terms of pricing, and taking into account that many of our customers are costs conscious, our leasing services generally do not require any upfront costs from them. Instead, we will take care of the initial deployment and installation of our lighting products and only share the benefits of the energy savings. Our zero upfront strategy provides an attractive element for our customers to consider entering into EMCs with us.

In view of the substantive initial deployment and installation, our EMCs are usually medium to long term in nature and generally last for three years. This in turn may create an entry barrier for potential competitors to take away our existing customers, because customers may not wish to carry out initial tests and feasibility studies all over again for other products and their possible savings.

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Further, according to the Ipsos Report, as of December 2014, none of the key ESCO competitors for lighting projects in Hong Kong are publicly listed, making it an advantage to be publicly listed and having access to the stock market for refinancing.

Despite of a huge potential for the energy saving business, there are still market barriers. For details, please refer to the section headed “Industry overview – Competitive analysis of energy saving and management industry for lighting projects in Hong Kong” in this prospectus.

For overseas markets where we engage in trading of lighting products, we believe the lighting products markets are highly competitive. Nevertheless, we are confident that our lighting products perform better than other similar products available in the market by consuming less power yet providing more luminosity without additional cost for changing the existing lighting fixture.

However, we may face pricing pressure as other manufacturers may adjust and reduce the prices of their products in order to compete with ours. Also, we do not have established wholesale and retail networks for our products and this may put us in a disadvantaged position in the retail sale of our lighting products where our products may not become generally available to general public.

### **19. LEGAL PROCEEDINGS**

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that, neither our Company, any of our subsidiaries nor our Directors and senior management is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries or our Directors and senior management, that would have a material adverse effect on our results of operations or financial condition.

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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### BUSINESS OBJECTIVES

The business objectives of our Group are as follows:

- (a) to further develop and improve our lighting products;
- (b) to become one of the global leaders for provision of energy saving solutions; and
- (c) to penetrate and expand into key international markets with our energy saving products and energy saving solutions.

As general lighting contributes to a significant part of worldwide energy consumption and carbon emission, being an energy saving solutions provider, we pay particular attention to the impact caused by lighting products to our environment.

### BUSINESS STRATEGIES

Leveraging on our market position as an early entrant in provision of energy saving solutions in Hong Kong, our research and development capabilities in developing energy saving lighting products for different countries and the established relationship with our large-sized corporate customers in Hong Kong, we believe that we are well positioned to further enhance both our local and global presence to capture the huge market potential for energy saving lighting products.

We intend to achieve our objectives by implementing the following strategies:

#### **Further expand in international markets through customisation of our lighting products and appointment of distributors**

In view of the generally rising trend in energy prices and enhanced awareness of energy efficiency around the world, we plan to further penetrate into existing overseas markets and explore new international markets. We believe that our lighting products, including but not limited to our "Tube-in-Tube" Fluorescent Lamps, are suitable replacements of traditional fluorescent tubes generally used in various overseas countries. We also believe, through our research and development capabilities, our lighting products can be customised to fulfil the specification or regulatory requirements for different international markets.

To further expand in the international markets, we plan to explore suitable new overseas markets for our energy saving lighting solutions and identify suitable distributors with wide distribution networks or other strategic partners to cooperate with in expanding our clientele globally. Based on our successful track records in offering energy saving solutions in Hong Kong and our existing overseas markets, we have attracted global distributors to purchase our lighting products for sale in different countries and to offer the replica of our energy saving solutions in their local markets. As at the Latest Practicable Date, we have distributorship agreements with distributors in nine countries.

We also plan to hire additional sales and marketing professionals to work with our distributors to strengthen our marketing activities and enhance our presence in our existing overseas markets. Further, the additional sales and marketing professionals are also expected to seek for new business opportunities for direct sales or distributorship of our lighting products in other potential overseas markets.

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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### **Continue to expand in the PRC markets through offering our Consultancy Services or entering into strategic partnerships**

According to the Ipsos Report, as a result of economic growth and increasing domestic wealth, electricity consumption in the PRC has increased by approximately 44% from 2009 to 2013. The expected growth in the industrial and residential demand for electricity in the PRC has presented an opportunity for our energy saving lighting solutions in the PRC. During the Track Record Period, we provided Consultancy Services to two customers for projects located in Guangzhou, Shantou, Zhongshan, Shenyang and Zhuhai, the PRC. Based on our experience gained from our energy saving solutions business in Hong Kong, the PRC and overseas, we will continue to provide energy saving lighting solutions to customers in the PRC through the offering of Consultancy Services and we may also enter into cooperation with strategic partners with the requisite licences for engaging in energy saving business in the PRC. We also plan to expand our project management team for providing Consultancy Services in the PRC and for our sales and marketing activities for our energy saving lighting solutions in the PRC.

### **Continue to expand our energy saving solutions business in Hong Kong**

During the Track Record Period, we have established a broad and stable customer base which covers a wide spectrum of reputable and well-known companies in Hong Kong. Leveraging on our established relationship with large corporate customers, our successful track records and our experience and industry know-how, we will continue to seek new business opportunities from our existing or potential customers to further increase our market share in Hong Kong. Customisation of our lighting products and services enables us to offer energy saving lighting solutions to our potential customers with necessary specification to suit their needs. By expanding our product range and increasing our marketing efforts, we will seek to broaden our customer base for our energy saving solutions business in Hong Kong.

We plan to employ additional staff to join our sales and marketing team and to put additional efforts in promoting our energy saving solutions to our targeted corporations in Hong Kong. We also plan to expand our project management team to increase our capacity for new business. Moreover, we will continue to conduct and participate in seminars organised for potential customers in different industries in Hong Kong for sharing our successful track records in offering the energy saving solutions. These seminars allow us to reach out to our potential customers in the relevant industries. Furthermore, we may enter into strategic partnership with other service providers and leverage on their distribution networks to expand our database of targeted customers.

### **Enhance our research and development capabilities**

We believe that our success has been and will continue to be dependent on our ability to develop and customise our lighting products in response to the evolving needs and requirements of the international lighting markets. In particular, in 2014, we launched our fifth generation "Tube-in-Tube" Fluorescent Lamps which utilises technology that enhances its heat dissipation capacity and prolonged the product's lifetime. As such, our research efforts have allowed us to develop products which can reduce maintenance costs for customers. Our research and development department enables us to diversify our product range and enhance our lighting products to maintain our competitiveness among other lighting solutions providers.

We plan to employ additional staff in our research and development department, acquire lighting testing equipment and/or otherwise provide additional resources for our research and development activities, with the aim to (i) develop and enhance lighting products in response to changes in market demands; and (ii) customise our lighting products to meet different market specifications and to obtain certifications from the respective overseas markets. We also intend to register new patent for our lighting products where possible.

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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### **Engage in marketing activities to enhance our brand image and recognition**

We believe that effective marketing and promotion strategies will strengthen our brand recognition and demand of our energy saving solutions. We intend to promote our business by attending lighting and energy saving related trade fairs and exhibitions in the international markets, through which we can increase our exposure to our potential customers. We also intend to hold lecture or seminars in different universities in Hong Kong in relation to, among others, lighting and green technology and our energy saving solutions to enhance our brand image. We endeavour to leverage our enhanced brand equity to attract new customers and further strengthen our business relationships with our existing customers or distributors.

Further, our research efforts have enabled us to customise our lighting products and obtain certification from the relevant overseas market, such as the CE certification for our “Tube-in-Tube” Fluorescent Lamps. With the CE certification, our “Tube-in-Tube” Fluorescent Lamps are allowed to be sold in around 30 European Economic Area countries and are readily approved for sale in certain other overseas markets in Asia such as the Philippines, Malaysia and India. As such, we plan to enhance our research and development capabilities to obtain overseas certification for our products, enabling us to expand our overseas markets.

### **FUTURE PLANS**

Our Group intends to implement key strategic initiatives in accordance with the schedule as set out under the paragraph headed “Implementation plans” in this section. The key strategic initiatives that our Group plans to implement in the near future are set out below.

#### **Implementation plans**

Our Group will endeavour to achieve the following milestone events during the period from the Listing Date to 31 March 2017, and their respective scheduled completion time are based on certain bases and assumptions as set out in the paragraph headed “Bases and key assumptions of future plans” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed “Risk factors” in this prospectus. Therefore, there is no assurance that our Group’s business plans will materialise in accordance with the estimated time frame and that our Group’s future plans will be accomplished at all.

Complementing our Company’s growth and business objectives stated above, the following implementation plan and strategies will be implemented during the time periods as set out below. Our Group’s implementation plans and strategies are based on certain bases and assumptions as set out in the paragraph headed “Bases and key assumptions of future plans” in this section. Given that the environmental and energy saving industry is not static and subject to rapid changes, the plans set out below only reflect the present intentions of our Directors and may be changed according to market conditions.

Our Group’s future plans will be partly financed by the net proceeds from the placing of the New Shares and partly by internal cash resources, working capital and/or other financing, as and when appropriate.

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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### Bases and key assumptions of future plans

Potential investors should note that the attainability of our Group's business objectives depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong or elsewhere in which our Group carries on business;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group or in the bases or rates of custom duties or levies in the territories in which our Group carries on business;
- there will be no significant changes in the interest rates or the foreign currency exchange rates from those currently prevailing;
- there will be no material changes in legislation or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our business relationship with our existing distributors and strategic and business partners;
- there will be no significant changes in our business relationship with our major customers and suppliers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed "Implementation plans" in this section;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to our property or facilities; and
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this prospectus.



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## BUSINESS OBJECTIVES AND FUTURE PLANS

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In summary, the implementation of our future plans for the period from the Listing Date to 31 March 2017 will be as follows:

### For the period from the Listing Date to 30 September 2015

<u>Strategies</u>	<u>Implementation activities</u>
Further expand in international markets through customisation of our lighting products and appointment of distributors	<ul style="list-style-type: none"><li>– Expand sales and marketing team for international markets</li><li>– Identify and establish overseas distributorship for international markets</li><li>– Conduct visits to existing overseas distributors for sales and marketing</li></ul>
Continue to expand in the PRC markets through offering our Consultancy Services or entering into strategic partnerships	<ul style="list-style-type: none"><li>– Expand project management team to assist Consultancy Services customers</li><li>– Identify and work with potential Consultancy Services customers</li></ul>
Continue to expand our energy saving solutions business in Hong Kong	<ul style="list-style-type: none"><li>– Expand sales and marketing team for Hong Kong office</li><li>– Expand project management team</li><li>– Identify potential strategic partners and establish partnership</li></ul>
Enhance our research and development capabilities	<ul style="list-style-type: none"><li>– Continue to enhance existing lighting products</li><li>– Continue to source lighting products to diversify lighting solution</li><li>– Expand our research and development team</li><li>– Acquire additional lighting testing equipment for research and development</li><li>– Register new patent if applicable</li></ul>
Engage in marketing activities to enhance our brand image and recognition	<ul style="list-style-type: none"><li>– Participate in Hong Kong lighting and energy saving related exhibition including Hong Kong International Lighting Fair (2015 Spring Edition)</li><li>– Participate in international lighting and energy saving related exhibition including the lighting fair in Japan</li></ul>

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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For the period from 1 October 2015 to 31 March 2016

<u>Strategies</u>	<u>Implementation activities</u>
Further expand in international markets through customisation of our lighting products and appointment of distributors	<ul style="list-style-type: none"><li>– Expand sales and marketing team for international markets</li><li>– Identify and establish overseas distributorship for international markets</li><li>– Conduct visits to existing overseas distributors for sales and marketing</li></ul>
Continue to expand in the PRC markets through offering our Consultancy Services or entering into strategic partnerships	<ul style="list-style-type: none"><li>– Expand project management team to assist Consultancy Services customers</li><li>– Identify and work with potential Consultancy Services customers</li></ul>
Continue to expand our energy saving solutions business in Hong Kong	<ul style="list-style-type: none"><li>– Expand sales and marketing team for Hong Kong office</li><li>– Expand project management team</li><li>– Identify potential strategic partners and establish partnership</li></ul>
Enhance our research and development capabilities	<ul style="list-style-type: none"><li>– Continue to enhance existing lighting products</li><li>– Continue to source lighting products to diversify lighting solution</li><li>– Expand our research and development team</li><li>– Acquire additional lighting testing equipment for research and development</li><li>– Register new patent if applicable</li></ul>
Engage in marketing activities to enhance our brand image and recognition	<ul style="list-style-type: none"><li>– Participate in Hong Kong lighting and energy saving related exhibition including Hong Kong International Lighting Fair (2015 Autumn Edition)</li><li>– Participate in international lighting and energy saving related exhibition including the lighting fair in Frankfurt</li></ul>

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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For the period from 1 April 2016 to 30 September 2016

<u>Strategies</u>	<u>Implementation activities</u>
Further expand in international markets through customisation of our lighting products and appointment of distributors	<ul style="list-style-type: none"><li>– Expand sales and marketing team for international markets</li><li>– Identify and establish overseas distributorship for international markets</li><li>– Conduct visits to existing overseas distributors for sales and marketing</li></ul>
Continue to expand in the PRC markets through offering our Consultancy Services or entering into strategic partnerships	<ul style="list-style-type: none"><li>– Expand project management team to assist Consultancy Services customers</li><li>– Identify and work with potential Consultancy Services customers</li></ul>
Continue to expand our energy saving solutions business in Hong Kong	<ul style="list-style-type: none"><li>– Expand sales and marketing team for Hong Kong office</li><li>– Expand project management team</li><li>– Identify potential strategic partners and establish partnership</li></ul>
Enhance our research and development capabilities	<ul style="list-style-type: none"><li>– Continue to enhance existing lighting products</li><li>– Continue to source lighting products to diversify lighting solution</li><li>– Expand our research and development team</li><li>– Acquire additional lighting testing equipment for research and development</li><li>– Register new patent if applicable</li></ul>
Engage in marketing activities to enhance our brand image and recognition	<ul style="list-style-type: none"><li>– Participate in Hong Kong lighting and energy saving related exhibition including Hong Kong International Lighting Fair (2016 Spring Edition)</li><li>– Participate in international lighting and energy saving related exhibition including the lighting fair in Japan</li></ul>

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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For the period from 1 October 2016 to 31 March 2017

<u>Strategies</u>	<u>Implementation activities</u>
Further expand in international markets through customisation of our lighting products and appointment of distributors	<ul style="list-style-type: none"><li>– Expand sales and marketing team for international markets</li><li>– Identify and establish overseas distributorship for international markets</li><li>– Conduct visits to existing overseas distributors for sales and marketing</li></ul>
Continue to expand in the PRC markets through offering our Consultancy Services or entering into strategic partnerships	<ul style="list-style-type: none"><li>– Expand project management team to assist Consultancy Services customers</li><li>– Identify and work with potential Consultancy Services customers</li></ul>
Continue to expand our energy saving solutions business in Hong Kong	<ul style="list-style-type: none"><li>– Expand sales and marketing team for Hong Kong office</li><li>– Expand project management team</li><li>– Identify potential strategic partners and establish partnership</li></ul>
Enhance our research and development capabilities	<ul style="list-style-type: none"><li>– Continue to enhance existing lighting products</li><li>– Continue to source lighting products to diversify lighting solution</li><li>– Expand our research and development team</li><li>– Acquire additional lighting testing equipment for research and development</li><li>– Register new patent if applicable</li></ul>
Engage in marketing activities to enhance our brand image and recognition	<ul style="list-style-type: none"><li>– Participate in Hong Kong lighting and energy saving related exhibition including Hong Kong International Lighting Fair (2016 Autumn Edition)</li><li>– Participate in international lighting and energy saving related exhibition</li></ul>

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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### REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Company intends to raise funds by placing of the New Shares in order to pursue its business objectives as set out in the paragraph headed “Implementation plans” under this section.

Our Directors believe that the Listing will enhance our Group’s profile and recognition and the net proceeds from the placing of the New Shares will strengthen our Group’s financial position such that our Group is fully equipped to pursue our business plans set out in this section.

In addition, our Directors are of the view that the Listing will benefit our Group and our Shareholders as (i) through the Listing, our Company is expected to gain access to the potential institutional or retail investors in the capital market for expanding and diversifying our capital base and Shareholders base and for raising capital in the future for our business expansion and long-term development, including but not limited to any potential acquisitions of our Group; (ii) with the regulatory framework governing listed companies in Hong Kong, the Listing is expected to assist us in enhancing our corporate image and positioning ourselves as a reliable company in attracting more customers, distributors and/or business partners; and (iii) the Listing is expected to enhance the transparency of our Group’s operation.

The net proceeds from the placing of the New Shares, after deducting related expenses, are estimated to amount to approximately HK\$14.7 million assuming a Placing Price of HK\$0.60 per Share, being the mid-point of the indicative Placing Price range. Our Directors intend to apply such net proceeds from the placing of New Shares as follows:

- approximately 30% of the net proceeds, or approximately HK\$4.4 million to be used for expansion of our Group’s business in international markets;
- approximately 10% of the net proceeds, or approximately HK\$1.4 million to be used for expansion of our Group’s business in the PRC;
- approximately 20% of the net proceeds, or approximately HK\$3.0 million to be used for expansion of our Group’s business in Hong Kong;
- approximately 20% of the net proceeds, or approximately HK\$3.0 million to be used for the marketing activities to enhance our brand image and recognition;
- approximately 15% of the net proceeds, or approximately HK\$2.2 million to be used for enhancing our research and development capabilities;
- the remaining amount of approximately HK\$0.7 million, representing approximately 5% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

## BUSINESS OBJECTIVES AND FUTURE PLANS

Set out below is a breakdown of the intended use of such net proceeds from the Placing of the New Shares from the Latest Practicable Date to 31 March 2017.

	From the Listing Date to 30 September 2015	From 1 October 2015 to 31 March 2016	From 1 April 2016 to 30 September 2016	From 1 October 2016 to 31 March 2017	From 1 April 2017 onwards	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Expansion of our Group's business in international markets	0.9	0.9	0.9	0.9	0.8	4.4
Expansion of our Group's business in the PRC	0.3	0.3	0.3	0.3	0.2	1.4
Expansion of our Group's business in Hong Kong	0.6	0.6	0.6	0.6	0.6	3.0
Marketing activities to enhance our brand image and recognition	0.6	0.6	0.6	0.6	0.6	3.0
Enhance our research and development capabilities	0.3	0.3	0.6	0.6	0.4	2.2
Subtotal	<u>2.7</u>	<u>2.7</u>	<u>3.0</u>	<u>3.0</u>	<u>2.6</u>	<u>14.0</u>
General working capital						<u>0.7</u>
Total						<u><u>14.7</u></u>

According to current estimates, our Directors expect that the net proceeds from the placing of the New Shares of approximately HK\$14.7 million, the cash in bank and on hand as at the Latest Practicable Date together with the projected cashflow from operations will be sufficient to finance the implementation of our Company's future plans up to 31 March 2017.

If the Placing Price is determined at the highest point of the indicative Placing Price range, the net proceeds of the Placing is estimated to increase to approximately HK\$22.8 million. If the Placing Price is determined at the lowest point of the stated range, the net proceeds to our Company is estimated to decrease to approximately HK\$6.6 million. The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Placing Price is fixed at a higher or lower level compared to the mid-point of the indicative Placing Price range stated in this prospectus.

To the extent that the net proceeds from the Placing are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

In the event that any of our plans does not proceed as a result of circumstances such as changes in government policies that would render any of our plans not commercially viable, or force majeure, our Directors will carefully evaluate the situation and may reallocate such funds for other purposes.

To the extent that the net proceeds from the Placing are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, it is the present intention of our Directors that they will be placed in short term demand deposits with banks and/or through money market instruments.

Our Company will issue an announcement in accordance with the GEM Listing Rules requirement if there is any material change in the use of proceeds as described above.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### BOARD OF DIRECTORS

Our Board of Directors consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth the brief particulars of our Directors:

Name	Age	Year of joining our Group	Position	Date of Appointment as Director	Principal Responsibilities	Relationship among Directors and senior management
Mr. Mansfield Wong	41	2009	Chairman, Chief Executive Officer and executive Director	30 December 2011	Overall corporate strategies, development, management and operation of our Group	N/A
Mr. Arthur Lam	30	2009	Executive Director	30 December 2011	Overseas development and research and development	Cousin of Mr. Alastair Lam
Mr. Alastair Lam	37	2008	Non-executive Director	14 December 2011	Overall corporate strategies and management directions of our Group	Cousin of Mr. Arthur Lam
Mr. Chung Koon Yan	51	2015	Independent non-executive Director	5 March 2015	Chairman of Audit Committee	N/A
Mr. Cheung Yick Hung Jackie	47	2015	Independent non-executive Director	5 March 2015	Chairman of Remuneration Committee	N/A
Dr. Wong Chi Ying Anthony	59	2015	Independent non-executive Director	5 March 2015	Chairman of Nomination Committee	N/A

### EXECUTIVE DIRECTORS

**Mr. Wong Man Fai Mansfield (黃文輝)**, aged 41, is our Chief Executive Officer, Chairman of the Board and an executive Director. He is also a director of SLL and Synergy Worldwide and was appointed as the Chief Executive Officer of SLL on 1 July 2009. He was appointed as a director of our Company on 30 December 2011. He is primarily responsible for the overall corporate strategies, development management and operation of our Group. Mr. Mansfield Wong graduated from the University of Arizona, Arizona, United States with a Bachelor's degree in Electrical Engineering in May 1996. He also obtained a Master of Engineering (Electrical) from Cornell University, New York, United States in May 1997. He has over 10 years of management experience. Mr. Mansfield Wong is the sole director and sole shareholder of Mpplication, which provides information technology management services to our Group. Details of the arrangements between Mpplication and our Group are set out in the section headed "Connected Transactions" in this prospectus.

Mr. Mansfield Wong is the sole director and sole shareholder of Abundance and one of our Controlling Shareholders.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. Mansfield Wong has entered into a service contract with our Company for a term commencing on the Listing Date until and including the date of the third annual general meeting following the Listing Date and will be subject to retirement by rotation and re-election at least once every three years in accordance with the GEM Listing Rules.

Provision A2.1 of the Corporate Governance Code states that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. Mr. Mansfield Wong is the Chairman and the Chief Executive Officer of our Company. In view of Mr. Mansfield Wong has been leading our Group as the Chief Executive Officer of SLL and our Board since 2009, our Board believes that it is in the best interest of the Group to continue to have Mr. Mansfield Wong stays as the Chief Executive Officer and leader of our Board for effective management of our Group. Therefore our Board considers that the deviation from provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances.

**Mr. Lam Arthur (林忠澤)**, aged 30, is an executive Director and one of our Controlling Shareholders. He was appointed as a director of our Company on 30 December 2011, and is responsible for overseas development and research and development of our Group. Mr. Arthur Lam is also a director of SLL and Synergy Worldwide. Mr. Arthur Lam graduated from the University of Notre Dame, Indiana, United States, with a Bachelor's degree in Mechanical Engineering in May 2008. Before joining our Group, Mr. Arthur Lam was an Associate (Trade Support and Risk Management) in Myo Capital Advisers Limited from November 2008 to June 2009. Mr. Arthur Lam is a certified Carbon Audit Professional and a certified Energy Manager of The Association of Energy Engineers (Hong Kong Chapter). Mr. Arthur Lam is the cousin of Mr. Alastair Lam.

Mr. Arthur Lam has entered into a service contract with our Company for a term commencing on the Listing Date until and including the date of the third annual general meeting following the Listing Date and will be subject to retirement by rotation and re-election at least once every three years in accordance with the GEM Listing Rules.

### NON-EXECUTIVE DIRECTOR

**Mr. Lam Chung Ho Alastair (林忠豪)**, aged 37, is a non-executive Director and one of our Controlling Shareholders. He was the founder of our Group and was appointed as a director of our Company on 14 December 2011. Mr. Alastair Lam does not have a management role and is not involved in the day-to-day management of our Group, but he is responsible for formulating our Group's overall corporate strategies and management directions. Mr. Alastair Lam is also a director of SLL and Synergy Worldwide. Mr. Alastair Lam graduated from the University of Wisconsin-Madison, Wisconsin, United States with a Bachelor's degree in Business Administration in August 2001. From 2001 to 2006, Mr. Alastair Lam was the accounting executive in Qualipak Manufacturing Limited, a then wholly-owned subsidiary of Qualipak International Holdings Limited, a company listed on the Main Board. Besides founding our Group in 2008, Mr. Alastair Lam has founded a company in 2005 which engaged in manufacturing and supply of plastic bags and packing materials.

ALGO Limited (進毅發展有限公司) ("**Dissolved Company**") was a company incorporated under the laws of Hong Kong with limited liability on 15 February 2005 and was dissolved on 9 July 2010. Mr. Alastair Lam was its sole shareholder and director. Its principal business was manufacturing and supply of plastic bags.

According to Mr. Alastair Lam, the Dissolved Company was set up with the intent to engage in trading of plastic bags and packaging material. However, not long after the incorporation, Mr. Alastair Lam foresaw the decline of the business and decided to scale down and eventually close down the business to prevent any losses and focus on energy saving business instead. All matters including but not limited to accounting and secretarial matters were handled by only one staff who was employed



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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under another company (also owned by Mr. Alastair Lam) to minimize costs. After the Dissolved Company had ceased all business activities, Mr. Alastair Lam concentrated on and devoted most of his time and attention in developing and expanding his energy saving business at our Group and relied on his supporting staff to handle the secretarial matters of the Dissolved Company. However, after the resignation of that staff, the filing deadlines of the secretarial matters of the Dissolved Company was overlooked, and as a result thereof, the Dissolved Company failed to file its annual return for the periods between 2007 to 2009. The Dissolved Company was ultimately struck off the register and was dissolved by the Registrar of Companies pursuant to section 291(5) of the then Companies Ordinance (Chapter 32 of the Laws of Hong Kong), the predecessor to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on or about 9 July 2010. As Mr. Alastair Lam intended to wind up the Dissolved Company in any event, he did not take any action in respect of the striking off of the Dissolved Company.

Mr. Alastair Lam had participated in a directors' training programme held by our Hong Kong legal advisers on 8 December 2014. At all times, Mr. Alastair Lam is well aware of and understands his duties and obligations of acting as a director of a company. The failure of the Dissolved Company to comply with the filing was purely an accidental omission. Mr. Alastair Lam will continue to comply with all regulatory requirements and devote his time and attention to the affairs of his companies as a director.

In 2008 after becoming aware of the "Tube-in-Tube" Fluorescent Lamp technology, Mr. Alastair Lam had negotiation with Mr. Chan and Mr. Ng for acquiring the intellectual property rights in the "Tube-in-Tube" Fluorescent Lamp technology and decided to venture into energy saving lighting industry and founded our Group with his own funding. After we acquired the "Tube-in-Tube" Fluorescent Lamp technology, and since Mr. Mansfield Wong and Mr. Arthur Lam joined our Group, our Group has been growing under the leadership and entrepreneurial skills of Mr. Alastair Lam, Mr. Mansfield Wong and Mr. Arthur Lam. Since 1 January 2012, Mr. Alastair Lam has been appointed as a member of the 中國人民政治協商會議武漢市委員會 (Wuhan City Committee of the Chinese People's Political Consultative Conference)\*. He has been awarded the "Entrepreneur of Tomorrow" by EFG Bank and CAPITAL Entrepreneur Magazine in 2010; and the "CAPITAL Leaders of Excellence Awards 2011" by CAPITAL Magazine in 2011. Mr. Alastair Lam is the cousin of Mr. Arthur Lam.

Mr. Alastair Lam has entered into a letter of appointment with our Company for a term of three years commencing on the Listing Date and will be subject to retirement by rotation and re-election at least once every three years in accordance with the GEM Listing Rules.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chung Koon Yan (鍾琯因)**, aged 51, is an independent non-executive Director and was appointed on 5 March 2015. He is a practicing and fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. He graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting in November 2000. Mr. Chung obtained the fellow membership of The Association of Chartered Certified Accountants on October 2003 and became a member of The Hong Kong Institute of Certified Public Accountants on October 1998, and was also admitted as an associate of The Institute of Chartered Accountants in England and Wales on October 2004. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and has more than 20 years' experience in accounting, auditing and taxation. Mr. Chung is and has been an independent non-executive director of Great World Company Holdings Limited (Stock Code: 8003), a company whose shares are listed on the Stock Exchange, since May 2008 and an independent non-executive director of Asian Citrus Holdings Limited, a company whose shares are listed on both the Stock Exchange (Stock Code: 73) and the AIM of the London Stock Exchange (Stock Code: ACHL),

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\* for identification purpose only

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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since November 2013. He had also acted as an independent non-executive director of China Financial Leasing Group Limited (Stock Code: 2312) from September 2004 to January 2013, Well Way Group Limited (Stock Code: 8063) from January 2006 to April 2014 and Landsea Green Properties Co., Ltd. (Stock Code: 106) from June 2009 to July 2013, all of which are listed on the Stock Exchange.

In view of the other directorships held by Mr. Chung, Mr. Chung has confirmed to our Group that he will dedicate sufficient working time to our Group after Listing. Our Group and Mr. Chung consider that it is feasible for Mr. Chung given Mr. Chung only assumes a non-executive role in each of the foregoing companies.

Mr. Chung has entered into a letter of appointment with our Company for a term of three years commencing on the Listing Date and will be subject to retirement by rotation and re-election at least once every three years in accordance with the GEM Listing Rules.

**Mr. Cheung Yick Hung Jackie (張翼雄)**, aged 47, is an independent non-executive Director and was appointed on 5 March 2015. Since 3 October 2010, Mr. Cheung has been a consultant of a law firm in Hong Kong, Messrs Alan Ho & Co., Solicitors. Mr. Cheung has been a representative of KGI Asia Limited and KGI Futures (Hong Kong) Limited which carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO respectively since 29 March 2011. Mr. Cheung has been re-elected and currently serves as a District Councillor of the Central and Western District Council. Mr. Cheung was admitted as a solicitor to the High Court of Hong Kong in November 1995 and as a solicitor of the Supreme Court of England and Wales in May 1997. He graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a degree of Bachelor of Laws and obtained the Postgraduate Certificate in Laws in November 1992 and November 1993 respectively.

Mr. Cheung has entered into a letter of appointment with our Company for a term of three years commencing on the Listing Date and will be subject to retirement by rotation and re-election at least once every three years in accordance with the GEM Listing Rules.

**Dr. Wong Chi Ying Anthony (黃子鑿)**, aged 59, is an independent non-executive Director and was appointed on 5 March 2015. He is currently the vice Chairman and an executive director of Ngai Hing Hong Company Limited (Stock Code: 1047), a company whose shares are listed on the Stock Exchange, in charge of its research and development centre and responsible for its business development. Dr. Wong was an Associate Professor in the Department of Industrial and Manufacturing Systems Engineering of The University of Hong Kong from 1997 to 2006. He obtained a B. Tech (Hons) degree and a Ph. D degree in Chemical Engineering from The University of Bradford U.K. in December 1980 and in December 1983 respectively. Dr. Wong became a Corporate Member of The Institution of Chemical Engineers (MIChemE) and Chartered Engineer (C.Eng) of the Engineering Council, UK, in November 1999 and December 1999 respectively. On 1 June 2004, he obtained a status as a Chartered Scientist (CSci) from The Institution of Chemical Engineers and The Science Council, UK. He was also admitted as a member of The Hong Kong Institution of Engineers on 16 March 2000.

Dr. Wong has entered into a letter of appointment with our Company for a term of three years commencing on the Listing Date and will be subject to retirement by rotation and re-election at least once every three years in accordance with the GEM Listing Rules.

Please refer to the paragraph headed "Further information about our Directors, Substantial Shareholders and experts" in Appendix IV to this prospectus for information regarding particulars of our Directors' service agreements and emoluments and information regarding their respective interests (if any) in the Shares of our Company within the meaning of Part XV of the SFO.

Save as disclosed in this prospectus, each of our Directors confirms that (i) each of them has not held any directorships in the last three years in any public companies the securities of which are listed

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

on any securities market in Hong Kong or overseas; (ii) each of them does not have any relationship with any other Directors, senior management or substantial or Controlling Shareholders of our Company; (iii) each of them does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there are no other matters concerning all our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange; and (v) there are no other matters which shall be disclosed pursuant to Rule 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules.

### SENIOR MANAGEMENT

Name	Age	Year of joining our Group	Position	Principal Responsibilities	Relationship among Directors and senior management
Mr. Cheng Chi Kuen	41	2011	Chief Operation Officer	Oversees business operations, sales and marketing, office administration and human resources management	N/A
Mr. Tong Man Chun	41	2011	Chief Financial Officer and company secretary	Financial planning, management and corporate governance	N/A

**Mr. Cheng Chi Kuen (鄭志權)**, aged 41, is our Chief Operation Officer since June 2011. He is responsible for overseeing our business operations, sales and marketing, office administration and human resources management. He has over 5 years of management experience. He was the cofounder and a director of SGT. SGT is one of the shareholders of SCM (BVI), which holds 40.2% interest of the entire issued share capital of SCM (BVI). Mr. Cheng was previously employed by Zymmetry Limited (formerly known as Mission System Consultant Limited), a global sourcing and manufacturing solutions provider for the apparel industry. During his time at Zymmetry Limited, Mr. Cheng had held various positions and subsequently as senior marketing manager of Asia Pacific region at the time when he left Zymmetry Limited. He has obtained a Master's degree in Business Administration through a distance learning course offered by the University of Bradford U.K. in July 2013.

**Mr. Tong Man Chun (湯文駿)**, aged 41, is our Chief Financial Officer since December 2011. He was appointed as our Company's company secretary on 16 December 2014. He is responsible for our Group's financial planning and management, and corporate governance. He is a Certified Public Accountant in Australia and member of The Hong Kong Institute of Certified Public Accountants. Mr. Tong graduated from the University of South Australia, Australia with a Bachelor's Degree in Accounting in March 1997. Mr. Tong was admitted as a Certified Public Accountant in Australia in October 2001 and was admitted as a member of The Hong Kong Institute of Certified Public Accountants in September 2005. Prior to joining our Group, he has over 15 years' experience in accounting taxation, financial reporting and consultancy management and had worked in various corporate services companies and certified public accountants firms in Hong Kong and held various positions such as senior management consultant.

Save as disclosed above, during the three years preceding the Latest Practicable Date, none of our senior management held any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas. Apart from Mr. Alastair Lam and Mr. Arthur Lam, none of our senior management has any relationship with any other Directors, senior management or Controlling Shareholders of our Company.

### COMPANY SECRETARY

Mr. Tong Man Chun is our Company Secretary. Please refer to the above for his biographical details.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### COMPLIANCE OFFICER

Mr. Mansfield Wong is our compliance officer. Please refer to the above for his biographical details. In discharging his duties as the compliance officer of our Group after Listing, Mr. Mansfield Wong is assisted by a team of professionals, including, among others, our compliance adviser and our company secretary who is a Certified Public Accountant with over 15 years' experience in accounting taxation, financial reporting and consultancy management. Further, we intend to appoint legal advisers after Listing to advise our Group on the laws and regulations in Hong Kong, in particular the requirements under the GEM Listing Rules. We will recruit additional staff with relevant experience and qualifications in relation to our corporate and compliance affairs as and when required. Accordingly, we believe that Mr. Mansfield Wong will be able to devote sufficient time on the role as the compliance officer of our Group after Listing.

### AUTHORISED REPRESENTATIVES

Mr. Mansfield Wong and Mr. Tong Man Chun are the authorised representatives of our Company for the purposes of the GEM Listing Rules and the Companies Ordinance.

### COMPLIANCE ADVISER

We have appointed CLC International Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (c) where our Company proposes to use the proceeds from the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 of the GEM Listing Rules.

The term of the appointment of the compliance adviser shall commence on the Listing Date and end on the date 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.

### AUDIT COMMITTEE

Our Company established an audit committee pursuant to a resolution of our Directors passed on 5 March 2015 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. The primary duties of the audit committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company.

The audit committee comprises three independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony. Mr. Chung Koon Yan is the Chairman of the audit committee.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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### **REMUNERATION COMMITTEE**

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 5 March 2015 in compliance with Rule 5.34 of the GEM Listing Rules. Written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code has been adopted. The primary duties of the remuneration committee are mainly to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

The remuneration committee comprises three independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony. Mr. Cheung Yick Hung Jackie is the Chairman of the remuneration committee.

### **NOMINATION COMMITTEE**

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 5 March 2015. Written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code has been adopted. The primary duties of the nomination committee are mainly to make recommendations to the Board on appointment of the Directors and succession planning for the Directors.

The nomination committee comprises three independent non-executive Directors, namely Mr. Chung Koon Yan, Cheung Yick Hung Jackie and Dr. Wong Chi Ying Anthony. Dr. Wong Chi Ying Anthony is the Chairman of the nomination committee.

### **COMPENSATION OF DIRECTORS AND MANAGEMENT**

The aggregate amount of remuneration (including salaries, allowances and pension) which we paid to our Directors for the years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014 were approximately HK\$879,000, HK\$879,000, HK\$315,000 respectively.

Upon completion of the Listing, our remuneration committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards, and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration we paid to our Directors during the two years ended 31 March 2014 and for the six months ended 30 September 2014 may not reflect the future levels of remuneration of our Directors. For the year ending 31 March 2015, the aggregate remuneration (including fees, salaries, allowances, pension contributions) payable to our Directors is forecast to be approximately HK\$0.7 million according to the present arrangements.

The aggregate amount of remuneration (including fees, salaries and discretionary bonuses) which were paid by our Group to the five highest paid individuals, were approximately HK\$2.0 million, HK\$2.0 million and HK\$1.1 million respectively for the year ended 31 March 2013 and 2014 and for the six months ended 30 September 2014.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 19 full-time employees, all of whom are located in Hong Kong. A breakdown of which by function is as follows:

<u>Department</u>	<u>Number of employees</u>
Management and administration	7
Sales and marketing	5
Research and development	1
Finance	3
Project Management	<u>3</u>
Total	<u>19</u>

### Relationship with employees

Our Directors believe that our Group maintains good working relationship with our employees. Our Group has not experienced any significant problems with our employees or disruption to the operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

The remuneration payable to the employees includes salaries and commission.

### Retirement benefit schemes

All our employees in Hong Kong have joined a mandatory provident fund scheme. Such mandatory provident fund scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Our Group has complied with the relevant laws and regulations, and that relevant contributions have been paid by our Group in accordance with the aforesaid laws and regulations.

### Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme on 5 March 2015 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

## CONTROLLING AND SELLING SHAREHOLDERS

### CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Placing (without taking into account any Shares which may be issued and allotted pursuant to the exercise of options that may be granted under the Share Option Scheme), the Controlling Shareholders will have the following interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of the SFO:

<u>Name of Shareholder</u>	<u>Nature of Interest and Capacity</u>	<u>Number</u>	<u>Approximate Percentage</u>
			(%)
Mr. Alastair Lam	Personal	49,800,734	10.0% <sup>(Note 1)</sup>
Mr. Mansfield Wong	Corporate	47,249,204	9.4%
Abundance	Beneficial (Note 2)	47,249,204	9.4%
Mr. Arthur Lam	Personal	35,464,437	7.1%

Notes:

- (1) The percentage shareholding of Mr. Alastair Lam in our Company rounded up to 2 decimal places is 9.96%.
- (2) Abundance is wholly-owned by Mr. Mansfield Wong. Under the SFO, Mr. Mansfield Wong is deemed to be interested in all of the Shares owned by Abundance.

Whilst our Controlling Shareholders have not entered into any concert parties agreement in relation to their interests in our Group, in all board meetings of our Company and its subsidiaries held during the Track Record Period and up to the Latest Practicable Date, all of Mr. Mansfield Wong, Mr. Arthur Lam and Mr. Alastair Lam, where present, have voted in a unanimous manner on any proposed resolution in respect of the management, development and operations of our Group. Given the above, our Controlling Shareholders have acted in concert throughout the Track Record Period and up to the Latest Practicable Date and are deemed to be the Controlling Shareholders.

### SELLING SHAREHOLDERS

Pursuant to the Underwriting Agreement, each of the following Selling Shareholders will sell the following number of Sale Shares respectively, each representing approximately such percentage of the total issued share capital of our Company immediately following completion of the Placing at the Listing (without taking into account any Shares which may be issued and allotted pursuant to the exercise of options that may be granted under the Share Option Scheme):

<u>Names of Selling Shareholders</u>	<u>Number of Sale Shares</u>	<u>Approximate Percentage</u>
		(%)
Mr. Cheung	7,500,000	1.5%
Mr. Chow	10,000,000	2.0%
Mr. Sun	12,500,000	2.5%
Mr. Tong	10,000,000	2.0%
Total	<u>40,000,000</u>	<u>8.0%</u>

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## CONTROLLING AND SELLING SHAREHOLDERS

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The respective percentage shareholdings of the Selling Shareholders immediately following completion of the Placing (without taking into account any Shares which may be issued and allotted pursuant to the exercise of options that may be granted under the Share Option Scheme) are as follows:

<u>Name of Selling Shareholder</u>	<u>Number of Shares held immediately before the Placing</u>	<u>Number of Sale Shares</u>	<u>Number of Shares held immediately after the Placing</u>	<u>Approximate Percentage</u>
				%
Mr. Cheung	20,045,117	7,500,000	12,545,117	2.5%
Mr. Chow	25,786,924	10,000,000	15,786,924	3.2%
Mr. Sun	20,045,117	12,500,000	7,545,117	1.5%
Mr. Tong	<u>25,786,924</u>	<u>10,000,000</u>	<u>15,786,924</u>	<u>3.2%</u>
	<u>91,664,082</u>	<u>40,000,000</u>	<u>51,664,082</u>	<u>10.3%</u>



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Upon completion of the Reorganisation but prior to completion of the Placing, our Controlling Shareholders, Mr. Mansfield Wong (through his wholly owned company Abundance), Mr. Arthur Lam and Mr. Alastair Lam, will hold approximately 11.4%, 8.5% and 12.0% respectively of the issued share capital of our Company and upon completion of the Placing, Mr. Mansfield Wong (through his wholly owned company, Abundance), Mr. Arthur Lam and Mr. Alastair Lam will hold approximately 9.4%, 7.1% and 10.0% respectively of the issued share capital of our Company.

Whilst our Controlling Shareholders have not entered into any concert parties agreement in relation to their interests in our Group, in all board meetings of our Company and its subsidiaries held during the Track Record Period and up to the Latest Practicable Date, all of Mr. Mansfield Wong, Mr. Arthur Lam and Mr. Alastair Lam, where present, have voted in a unanimous manner on any proposed resolution in respect of the management, development and operations of our Group. Given the above, our Controlling Shareholders have acted in concert throughout the Track Record Period and up to the Latest Practicable Date and are deemed to be our Controlling Shareholders. Our Controlling Shareholders together were entitled to exercise or control the exercise of approximately 31.9% of the issued share capital of our Company immediately prior to completion of the Placing and will together be entitled to exercise or control the exercise of approximately 26.5% of the issued share capital of our Company immediately upon completion of the Placing (without taking into account any Shares which may be issued and allotted pursuant to the exercise of options that may be granted under the Share Option Scheme).

### INDEPENDENT FROM CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, apart from the shareholding interests in our Group, Mr. Mansfield Wong, Mr. Arthur Lam and Mr. Alastair Lam does not have other shareholding interests in any company which may have competing interest with our Group. None of our Controlling Shareholders, Directors or their respective close associates has any business or interest (other than that of our Group) which compete or may compete with our business, or has or may have any conflict of interests with our Group.

### Management independence and operational independence

Although our Company's Controlling Shareholders will retain a substantial interest in our Company after the Listing Date, our Company has full rights to make all decisions on, and to carry out its business operations independently. Furthermore, our Company has sufficient capital, equipment, facilities and employees to operate the business independent of our Controlling Shareholders.

The Board of our Company consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Company's management and operational decisions are made by our Group's executive Directors and senior management, who are experienced in managing the business of our Group. Mr. Alastair Lam, our non-executive Director, will not participate in the daily management of our Group, but will only contribute to the overall corporate strategies and management directions of our Group. The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board.

Among the Board members, Mr. Mansfield Wong, Mr. Arthur Lam and Mr. Alastair Lam are our Controlling Shareholders acting in concert together with Abundance and Mr. Arthur Lam is a cousin of Mr. Alastair Lam. However, each of the Directors is aware of his fiduciary duties as a director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Save as set out under the section headed “Connected Transactions” in this prospectus, the Directors currently do not expect that there will be other business transactions between our Company and the Controlling Shareholders following the Listing Date.

Based on the reasons above, the Directors are of the view that our Company is independent from the Controlling Shareholders so far as management and business operations of our Company are concerned.

### **Administrative independence**

Our Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, and general business management. Save that Mr. Mansfield Wong, Mr. Arthur Lam and Mr. Alastair Lam are our Controlling Shareholders and Mr. Arthur Lam is a cousin of Mr. Alastair Lam, the company secretary and senior management staff are independent of the Controlling Shareholders.

### **Financial Independence**

Our Group has its own financial system and makes financial decisions according to its own business needs. As at the Latest Practicable Date, save for amounts due to Mpplication for services provided to our Group under an exempt continuing connected transaction, all the guarantees provided by the Controlling Shareholders for securing banking facilities to our Group had been released, and all amounts due to or from our Controlling Shareholders (if any) had been settled. After completion of the Placing, there will be no financing from our Shareholders or their close associates and our Directors are of the opinion that taking into account of our Group’s internal resources, banking facilities and the estimated net proceeds from the Placing, our Group will have sufficient working capital for its requirements for at least the next twelve months from the date of publication of this prospectus. Our Directors believe that our Group will be able to obtain its own third party financing after the Placing without support or assistance from our Shareholders or their respective close associates. Therefore, there is no financial dependence of our Group on our Shareholders or any of their respective close associates.

### **NON-COMPETITION UNDERTAKINGS GIVEN BY CONTROLLING SHAREHOLDERS IN THEIR CAPACITY AS DIRECTORS**

Each of Mr. Mansfield Wong and Mr. Arthur Lam in relation to his acting as an executive Director has entered into a service contract with the Company (“**ED Service Contract**”) and Mr. Alastair Lam has entered into a letter of appointment in relation to his acting as a non-executive Director (“**NED Appointment Letter**”). Each of them has in his ED Service Contract or, as the case may be, his NED Appointment Letter, irrevocably undertaken and covenanted with our Company that during his employment and for a period of twelve months after termination of his employment, he shall not, directly or indirectly, either on his own account or in conjunction with or on behalf of or for any other person, and shall procure that his close associates and entities or companies controlled by him or his close associates (other than any member of our Group) not to:

- (a) carry on, participate, engage or be engaged or concerned or interested in Hong Kong or elsewhere in which any member of our Group operates or has operated any part of the business of provision of energy saving solutions services relating to trading of lighting products, provision of consultancy services in assisting service recipients to provide energy saving services in their markets and leasing of lighting products and any other business from time to time conducted, carried on or contemplated to be carried on by any member of our Group or our Group as a whole (the “**Business**”) from time to time, whether directly or indirectly, in any business which is in competition with or similar to the Business;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (b) be a partner, director, consultant, agent in, of or to or take up employment with any person, firm, company or organisation engaged in Hong Kong or elsewhere in which any member of our Group operates or has operated any part of the Business from time to time, whether directly or indirectly (but this restriction shall not operate so as to prohibit an employment, none of the duties of which relate to the Business) or assist any such person, firm, company or organisation with technical, commercial or professional advice in relation to the Business;
- (c) either on his own account or for any person, firm, company or organisation solicit or entice or endeavor to solicit or entice away from any company within our Group any director, manager or employee of any company in our Group or any person who was such director, manager or employee during the six (6) months preceding the expiry of the termination of his employment whether or not such person would commit any breach of his contract of employment by reason of leaving the service of the relevant company in our Group;
- (d) employ any person who has at any time during the currency of his employment been a director, manager or employee of or consultant to any company in our Group and who by reason of such employment is or may be likely to be in possession of confidential information; and
- (e) either on his own account or for any person, firm, company or organisation directly or indirectly solicit or persuade or endeavour to solicit or to persuade any person, firm, company or organisation (which at any time during the currency of his employment has dealt with our Company or any other company in our Group or which on the termination of his employment is in the process of negotiating with our Company or any such company in our Group in relation to the Business) not to deal with any member of our Group or to cease to deal with any member of our Group or to reduce the amount of business which such person, firm, company or organisation would normally do with any member of our Group or to seek to improve their terms of trade with any member of our Group (“**Director’s Non-Competition Undertaking**”).

The ED Service Contracts and the NED Appointment Letter will become effective on the Listing Date and any further agreement regarding the appointment of Mr. Mansfield Wong, Mr. Arthur Lam and Mr. Alastair Lam as a director of the Company or a member of the senior management of our Group, whether in place of or supplemental to his ED Service Contract or as the case may be, the NED Appointment Letter, shall contain the above Director’s Non-Competition Undertaking.

### **MEASURES TO BE TAKEN BY OUR COMPANY TO ENSURE COMPLIANCE WITH NON-COMPETITION UNDERTAKING**

In order to properly manage any potential or actual conflict of interests between our Group and Mr. Mansfield Wong, Mr. Arthur Lam and Mr. Alastair Lam as Controlling Shareholders and Directors in relation to compliance and enforcement of the Director’s Non-Competition Undertaking, our Company will adopt the following corporate governance measures:

- (i) the independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Director’s Non-Competition Undertaking given by Mr. Mansfield Wong, Mr. Arthur Lam and Mr. Alastair Lam;
- (ii) our Company will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Director’s Non-Competition Undertaking either through our Company’s annual report or by way of announcement;
- (iii) our Company will disclose in the corporate governance report of its annual report on how the terms of the Director’s Non-Competition Undertaking have been complied with and enforced; and

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (iv) in the event that any of the Directors and/or their respective close associates has material interest in any matter to be deliberated by the Board in relation to compliance and enforcement of the Director's Non-Competition Undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in our Articles of Association.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Mr. Mansfield Wong, Mr. Arthur Lam and Mr. Alastair Lam as Controlling Shareholders in relation to their employment as Directors.

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## RELATIONSHIP WITH WELL SPREAD

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Well Spread, an energy saving consultancy services provider, is one of our Consultancy Services customers. During the Track Record Period, Our Group also has other business relationship with the associates of Well Spread.

### 1. RELATIONSHIP WITH WELL SPREAD AND ITS ASSOCIATES

#### **Business relationship with Well Spread**

Well Spread has been in business relationship with our Group since October 2010 as one of our Consultancy Services customers. For the two years ended 31 March 2013 and 2014, Well Spread has been our Group's largest customer and the sole customer for our Consultancy Services. For further information of our provision of Consultancy Services to Well Spread, please refer to the section headed "Business – Business model – Consultancy Service" in this prospectus.

Well Spread is wholly owned by Mr. James Lam, an Independent Third Party. As advised by Well Spread, it is an energy saving consultancy services provider. Well Spread was introduced to our Group for our Consultancy Services by Mr. Alastair Lam, who became acquainted with Mr. James Lam through their respective business network in 2009.

#### **Business relationship between Mr. Alastair Lam and Mr. James Lam**

##### ***(i) Establishment of Synergy Resources and China JA Resources***

After Mr. James Lam commenced business dealings with our Group through Well Spread in October 2010, one of our Controlling Shareholders, Mr. Alastair Lam and Mr. James Lam started a private business venture between them in the fourth quarter of 2011 through Synergy Resources Asia Limited ("**Synergy Resources**") and the investment through Synergy Resources in China JingAn Resources Group Co. Limited ("**China JA Resources**"). As confirmed by Mr. Alastair Lam, he has no business relationship with Mr. James Lam or any of his associates prior to October 2010; and his business venture with Mr. James Lam through Synergy Resources was for the purposes of investment into the trading of commodities business sector.

Mr. Alastair Lam and Mr. James Lam were the ultimate shareholders and directors of Synergy Resources, which was an investment holding company held jointly by Mr. Alastair Lam and Mr. James Lam for their then private investment purposes. Synergy Resources was then, in turn, a 40% shareholder of China JA Resources, while the remaining 60% interest in such company was then held by China Jingan. Both Synergy Resources and China JA Resources were not members of our Group but were only the then private investments of Mr. Alastair Lam and Mr. James Lam. As confirmed by Mr. Alastair Lam, prior to the disposal of Synergy Resources and China JA Resources, those companies carried on commodity trading businesses, which were different from our Group's business; and there was no business relationship between our Group and Synergy Resources and China JA Resources since the establishment of such companies and up to their disposals.

##### ***(ii) The disposal by Mr. Alastair Lam of his interests in Synergy Resources and China JA Resources***

Mr. Alastair Lam ceased to have any direct or indirect interest in and ceased to be a director of Synergy Resources since November 2013 after the disposal of his entire interest in such company to Mr. Fok Yin Pong ("**Mr. Fok**"), who is one of the shareholders of SCM (BVI). As confirmed by Mr. Alastair Lam, he disposed of his interests in Synergy Resources because he considered there was no major development in the business of Synergy Resources and he also intended to devote more of his time and resources to his other investments and businesses. As confirmed by Mr. Fok, other than being a minority shareholder of SCM (BVI) as set out above, he has no other relationship with any of our Group, the directors and the shareholders of members of our Group and their respective associates, and is an Independent Third Party for the purpose of the GEM Listing Rules.

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## RELATIONSHIP WITH WELL SPREAD

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As confirmed by Mr. Alastair Lam, there was no intention on his behalf to initiate or explore any other business cooperation with Mr. James Lam or any of his associates, other than the existing business relationship between our Group and Well Spread.

### **2. RELATIONSHIP WITH JINGAN SYNERGY AND ITS ASSOCIATES**

#### **(i) The establishment of Synergy (China) and Jingan Synergy**

In 2012 or then about, it was one of our business strategies to expand our leasing services into the PRC market through a subsidiary of our Group. On 6 June 2012, Synergy (China), a then wholly-owned subsidiary of our Group, was set up for the purposes of investing into the PRC market. After arm's length negotiation, Synergy (China), China Jingan and Topgal agreed to form an equity joint venture in the PRC for carrying out our energy saving business in the PRC. On 5 February 2013, Synergy (China) entered into the EJV Agreement with China Jingan and Topgal for establishing Jingan Synergy, a then indirect non-wholly owned subsidiary of our Group established in the PRC on 23 September 2013. Pursuant to the EJV Agreement, the equity interest of Jingan Synergy was held as to 72% by our Group, 20% by China Jingan and 8% by Topgal.

Topgal is owned as to 100% by Mrs. Angela Lam, who is the spouse of Mr. James Lam, the sole shareholder of Well Spread. China Jingan is a state-controlled enterprise established in the PRC. It was then intended that the principal business of Jingan Synergy to be the provision of energy saving solutions in the PRC.

As advised by our Company's PRC legal adviser, although Jingan Synergy has obtained its certificate of approval for establishment of enterprises with foreign investment in the PRC and its business licence in September 2013, the joint venture partners of Jingan Synergy (i.e. our Group, China Jingan and Topgal) were required to pay up their respective portion of the registered capital of Jingan Synergy in accordance with the requirements of the articles of Jingan Synergy and the applicable PRC laws and regulations.

In accordance with Jingan Synergy's articles, the joint venture partners are required to pay up the registered capital of Jingan Synergy (being HK\$60.89 million in total) by instalments, the first instalment (being 15% thereof) is required to be paid within three months from the date of issue of business licence, and the remaining 85% to be paid within two years from the date of issue of the business licence.

#### **(ii) Disposal of interests in Synergy (China) and discontinuation of the business joint venture in Jingan Synergy**

After the establishment of Jingan Synergy, our Group revisited our development strategies, and as a result of the delay in our Group's fund raising exercise and further discussions among the joint venture partners of Jingan Synergy, it was then agreed by the parties to the said joint venture that it would be most appropriate for the parties not to proceed with their business joint venture of Jingan Synergy for the time being and that the parties could explore other ways of business cooperation going forward. As confirmed by our Directors, as the joint venture partners have agreed not to proceed with the business joint venture, it was then also agreed that they would not pay up the registered capital of Jingan Synergy.

In view of the change in plan of the joint venture parties not to proceed with the joint venture, our Directors then considered the two companies, namely Jingan Synergy and Synergy (China) (i.e. the company which held interests in Jingan Synergy) were no longer useful to our Group and hence there was an intention on our part to dispose of such companies. As confirmed by Mr. Alastair Lam, he then considered as Synergy (China) has already been formed, he could keep such company as a shelf-company for his other business purposes in future. Accordingly, at the request of Mr. Alastair Lam, our Group transferred our entire interest in Synergy (China) at nominal consideration to Mr. Alastair Lam on 10 March 2014. After the disposal, our Group ceased to have any interest in Synergy (China) and Jingan

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## RELATIONSHIP WITH WELL SPREAD

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Synergy. Our Group is advised by Mr. Alastair Lam that application for deregistration of Synergy (China) has been filed with the Registrar of Companies in Hong Kong in December 2014 and the deregistration is expected to take place in around April 2015. As advised by our Company's PRC legal adviser, as at the Latest Practicable Date, Jingan Synergy has not been legally dissolved, and no legal or administrative penalty will be imposed on the joint venture partners or directors of Jingan Synergy for not paying up the registered capital of Jingan Synergy in accordance with Jingan Synergy's articles.

### **3. CURRENT BUSINESS RELATIONSHIP WITH WELL SPREAD AND ITS ASSOCIATES**

Following our Group's disposal of interests in Synergy (China), the discontinuation of joint venture in Jingan Synergy, and the disposal by Mr. Alastair Lam of his interests in Synergy Resources and China JA Resources, Well Spread, its beneficial owner (i.e. Mr. James Lam) and their respective associates (namely Mrs. Angela Lam, Topgal, Synergy Resources and China JA Resources) ceased to have any relationship with our Group or Mr. Alastair Lam, our non-executive Director and one of our Controlling Shareholders, except Well Spread being one of our Consultancy Services customers.

Our Directors also confirm that, to the best of their knowledge, apart from the CS Contracts and the business relationships set out above, neither our Group nor our Directors have any family or business relationship with Well Spread, Mr. James Lam and/or his spouse, Mrs. Angela Lam whether as family, relatives, or associates of relatives.

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## CONNECTED TRANSACTIONS

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### SUMMARY

During the Track Record Period and prior to the Listing, we entered into various transactions with certain parties which are/were or which we consider to be connected persons as defined under the GEM Listing Rules after the Listing Date and which are expected to continue after the Listing Date. We set out below details of these connected transactions.

### EXEMPTED CONTINUING CONNECTED TRANSACTIONS

#### 1. Warehouse Rental Agreement

##### *Background and historical transaction value*

During the Track Record Period, SLL leased the warehouse at Factory C on the 8th Floor of Shun Wai Industrial Building, No.15 Yuk Yat Street, Tokwawan, Kowloon, Hong Kong (“**Warehouse**”) from Luen Woo Cheong Investment Company Limited. The lease was renewed on 28 August 2014 for one year from 1 September 2014 to 31 August 2015 (“**Warehouse Rental Agreement**”). Luen Woo Cheong Investment Company Limited is a company incorporated in Hong Kong and is wholly and beneficially owned by uncles of Mr. Arthur Lam. Pursuant to the GEM Listing Rules, Luen Woo Cheong Investment Company Limited is an associate of Mr. Arthur Lam and is therefore a connected person.

##### *GEM Listing Rules Implications*

Since the lease pursuant to the Warehouse Rental Agreement is expected to continue after the Listing, the leasing will constitute continuing connected transaction of the Group under the GEM Listing Rules.

The total rental paid by our Group to Luen Woo Cheong Investment Company Limited for leasing of the Warehouse for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 were HK\$149,160, HK\$164,980 and HK\$90,400 respectively. The total rental payable for the year ending 31 March 2015 will be HK\$192,100. On such basis, each of the applicable percentage ratios of the aggregate transaction value on an annual basis is less than 5% and the aggregate transaction value on an annual basis will not exceed HK\$3,000,000. Accordingly, the Warehouse Rental Agreement will fall within the exemption from the reporting, announcement, annual review and independent Shareholders’ approval requirements pursuant to Rule 20.74 of the GEM Listing Rules.

Our Directors (including the independent non-executive Directors) confirm that the Warehouse Rental Agreement and the continuing connected transactions thereunder were arrived at after arm’s length negotiations, after taking into consideration of recent reported rental transactions in the same building, the terms of the Warehouse Rental Agreement are on normal commercial terms or better to the Group and are fair and reasonable and in the interests of our Group and the Shareholders as a whole.



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## CONNECTED TRANSACTIONS

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### 2. I.T. Service Agreement

#### ***Background and historical transaction value***

During the Track Record Period, Mpplication has provided the following information technology support services to our Group:

- (i) a customised ERP (SaaS) platform for SLL's daily operation;
- (ii) maintenance of SLL's website;
- (iii) provides full infrastructure to SLL;
- (iv) maintains enterprise security standard to SLL's information technology system;
- (v) on-site support;
- (vi) resolution of all information technology related issues of SLL; and
- (vii) email administration (collectively, "**I.T. Services**").

Mpplication is owned as to 100% by Mr. Mansfield Wong, Chairman of the Board, our Chief Executive Officer and an executive Director. Pursuant to the GEM Listing Rules, Mpplication is an associate of Mr. Mansfield Wong and is therefore a connected person.

Pursuant to a service agreement entered into between SLL and Mpplication on 1 August 2009 and renewed on 30 August 2012, SLL shall pay a fixed monthly service fee of HK\$53,000 to Mpplication. The service fee was subsequently reduced to HK\$28,000 pursuant to an amendment agreement entered on 26 March 2014 (together with the said agreement dated 1 August 2009 and renewed on 30 August 2012, the "**I.T. Service Agreement**"). The I.T. Service Agreement has a term of three years commencing on 30 August 2012.

#### ***GEM Listing Rules Implications***

Since the transactions under the I.T. Service Agreement are expected to continue after the Listing, the transaction thereunder will constitute continuing connected transaction of our Group under the GEM Listing Rules.

The total annual service fee paid by our Group for each of the two years ended 31 March 2014 was HK\$636,000 respectively and for the six months ended 30 September 2014 was HK\$168,000. The total annual service fee payable for the year ending 31 March 2015 will be HK\$336,000. On such basis, each of the applicable percentage ratios of the aggregate transaction value on an annual basis is less than 5% and the aggregate transaction value on an annual basis will not exceed HK\$3,000,000. Accordingly, the continuing connected transactions under the I.T. Service Agreement will fall within the exemption from the reporting, announcement, annual review and independent Shareholders' approval requirements pursuant to Rule 20.74 of the GEM Listing Rules.

Our Directors (including the independent non-executive Directors) confirm that the I.T. Service Agreement and the continuing connected transactions thereunder were arrived at after arm's length negotiations, the terms are fair and reasonable and are on normal commercial terms or better, and are in the interest of our Group and the Shareholders as a whole.

Save as disclosed above, our Directors confirmed that there are no other connected transactions or continuing connected transactions of our Group which are expected to continue upon Listing. We will closely monitor the above continuing connected transactions to ensure compliance with Chapter 20 of the GEM Listing Rules.

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## SHARE CAPITAL

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The following tables set forth information with respect to the share capital of our Company after completion of the Placing. All the Shareholders have the same voting right per Share.

Authorised:		HK\$
<u>50,000,000,000</u>	Shares	<u>500,000,000</u>
Shares issued and to be issued, fully paid or credited as fully paid:		
415,000,000	Shares in issue as at the date of this prospectus	4,150,000
<u>85,000,000</u>	Shares to be issued under the Placing	<u>850,000</u>
<u>500,000,000</u>	Total	<u>5,000,000</u>

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.

### ASSUMPTIONS

The above table is based on the assumption that the Placing becomes unconditional.

It takes no account of any Shares which may be issued upon the exercise of the options granted or to be granted under the Share Option Scheme or of any securities which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of securities granted to our Directors as described below.

### RANKING

The Placing Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

### GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Placing becoming unconditional, a general unconditional mandate has been granted to our Directors to allot, issue and deal with unissued Shares with a total nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing (not including Shares which may be allotted and issued pursuant to the exercise of options granted or may be granted under the Share Option Schemes); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the authority referred to in the paragraph headed "General mandate to repurchase Shares" below.

This mandate does not apply to situations where our Directors allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, subscription or conversion rights attached to any warrants of our Company, or on the exercise of options granted or to be granted under the Share Option Scheme.

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## SHARE CAPITAL

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This mandate will expire:

- (i) at the end of our next annual general meeting; or
- (ii) at the end of the period within which we are required by law or our Articles to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Further information about our Company” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, a general unconditional mandate has been granted to our Directors to exercise all the powers of our Company to repurchase Shares with nominal value of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing (not including Shares which may be allotted and issued pursuant to the exercise of options granted or may be granted under the Share Option Scheme).

This mandate only relates to purchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

This mandate will expire:

- (i) at the end of our next annual general meeting; or
- (ii) at the end of the period within which we are required by law or our Articles to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND/OR CLASS MEETINGS ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see the sub-section headed “Summary of the constitution of our Company and Cayman Islands company law – 2. Articles of Association – Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see the sub-section headed “Summary of the constitution of our Company and Cayman Islands company law – 2. Articles of Association – Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis together with the audited consolidated financial statements of our Group and the notes thereto as of and for the two years ended 31 March 2014 and the six months ended 30 September 2014, included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions.*

*The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. Our Group's business and financial performance are subject to substantial risks and uncertainties and its future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the "Risk factors" section.*

*Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.*

### OVERVIEW

We are an integrated energy saving solutions provider based in Hong Kong, specialising in lighting solutions. We possess a full range of capabilities which allows us to provide a broad range of energy saving services for lighting solutions, ranging from advising on lighting solution, product customisation, on-site inspection and measurement, product sourcing, project deployment to after sales service. Depending on our customers' specific needs and requirements, we provide either a part of such services within our range of capabilities as specified by our customers to cater their needs under our trading of lighting products business or our Consultancy Services, or we provide an entire spectrum of services, as in the provision of our leasing services. According to the Ipsos Report, we are the fourth largest energy management contract provider for lighting projects in Hong Kong in terms of total revenue for the year ended 31 December 2013.

Depending on the range of services we offer to our customers, our business is broadly divided into three segments:

#### **(i) Trading of lighting products**

We provide our energy saving solutions by selling our lighting products, including our "Tube-in-Tube" Fluorescent Lamps, LEDs and induction lamps to our customers together with provision of various support arrangement, which may include provision of our business and technical know-how and advice on lighting products, customisation and advice on lighting products specifications and providing training on sales and marketing techniques of our lighting products. Our trading customers are mainly distributors, but we also sell our lighting products occasionally to our direct sales customers. We enter into distribution agreements (both exclusive and non-exclusive) with our distributors, who have local knowledge and market information in their local market. Complementary to delivery of our lighting products to our distributors, we also provide sales support and documentations so as to assist and facilitate them in engaging their energy saving business in their respective markets. Apart from our distributors, we may also occasionally enter into one-off sales contracts with our direct sales customers such as property management company and factory operator. We mainly sell our lighting products to them when they prefer direct purchase or in the case of new projects, where past electricity consumption comparable is not available.

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## FINANCIAL INFORMATION

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Our lighting products are priced with reference to a few factors including (i) electricity price; (ii) market acceptance of environmentally friendly lighting products in the relevant local markets; and (iii) the estimated revenues our customers may charge to their end customers for provision of energy saving solutions (if applicable). So far, we mainly sell our “Tube-in-Tube” Fluorescent Lamps, LEDs and induction lamps to our overseas customers.

### **(ii) Consultancy Services**

We also provide Consultancy Services which assist our customers, who are energy saving consultancy services providers in their respective regions, in providing their energy saving services in their respective regions. We provide our customer with the business and technical know-how relating to energy saving solutions. Leveraging on our technical know-how and experience in providing energy saving solutions in Hong Kong, our primary objective for provision of our Consultancy Services is to assist and facilitate our customers in establishing their energy saving business and serve their customers in their designated markets. Each of the CS Contracts we entered into during the Track Record Period for provision of our Consultancy Services is project-based.

Our scope of Consultancy Services includes (i) provision of business and technical know-how principally on energy saving and installation assessment; (ii) on-site inspection and measurement on our customer’s behalf at the targeted sites under the project; (iii) customisation and advice on lighting product specifications; (iv) issuance of measurement reports, analysis and carbon emission audit report showing the amount of savings if our suggested products are being used to replace the existing lighting products of the designated site of the end customers; and (v) provision of marketing materials showing energy saving case studies, referrals and credentials.

Our Consultancy Services do not involve selling or leasing of our lighting products to our customers or any third parties, but we will make recommendations on procurement and sourcing of lighting products from suitable suppliers including our OEMs and our short-listed suppliers. In the case if our “Tube-in-Tube” Fluorescent Lamps are the selected products, we will authorise our OEMs to supply the recommended quantity of such products to our customers or their end customers directly. In return for our services rendered, we will charge our Consultancy Services fees with reference to our estimation on the revenue that our customers may generate from their provision of energy saving solutions to their end customers.

### **(iii) Leasing services**

We also provide our energy saving solutions by leasing our lighting products to our customers. Our leasing services comprise a full range of services along the business value chain from advising on lighting solutions to provision of after-sales services. The contracts which we enter into with our leasing services are generally referred to as EMC. Before we enter into EMCs with our customers, we provide on-site electricity consumption assessment using our calibrated measuring devices. Based on the on-site data we obtained, we propose different energy saving lighting products which comprise our “Tube-in-Tube” Fluorescent Lamps and/or other lighting products to achieve significant electricity consumption savings for our customers.

The prominent features of our leasing services include (i) providing all of our energy saving lighting products at no initial cost to our customers with generally free installation; (ii) providing retrofit feature of our lighting products and generally does not require our customers to replace their existing lighting fixtures to use our lighting products; and (iii) during the term of the EMC, when our lighting products become faulty or spent and upon notification from our customers, providing exchange of lighting products to our customers. We generally sign three-year EMC with our customers. During the term of the EMC, we charge a pre-determined fixed monthly leasing fee which represents a portion of the estimated savings on the customers’ electricity charges after replacing their existing lighting products with our

## FINANCIAL INFORMATION

proposed lighting products based on the assessment results. The pre-determined monthly leasing fee will not be adjusted during the contract term unless (i) where the actual total energy saving per month is substantially less than the estimated total energy saving per month as set out in the EMC, in which case, failing remedial actions, we shall determine such shortfall and adjust downwards the monthly leasing fee accordingly; or (ii) in the event that the effective electricity unit rate actually charged under the electricity bill is increased or decreased by more than 5% when compared to the electricity unit rate at the time of entering into the EMC, the fixed monthly leasing fee will be adjusted correspondingly. If the saving performance cannot be achieved after the failure of our remedial actions, our customers are entitled to early terminate the EMC without any penalty payable to us.

The lighting products being offered to our customers under our leasing services include our “Tube-in-Tube” Fluorescent Lamps and/or other lighting products, which include LEDs and induction lamps. Our customers in this business segment are mainly end-users of energy saving solutions, many of which are reputable multi-national or large companies in Hong Kong, such as property management companies, car park operators, retail operators, banks and insurance companies, which utilise relatively substantial amount of electricity in the properties which they manage or operate, such as office premises, shopping malls, residential properties, car parks, retail chains and restaurants, etc.. As at the Latest Practicable Date, customers of our leasing services segment are mainly based in Hong Kong.

The table below sets forth the revenue generated by our Group’s trading of lighting products, Consultancy Services and leasing services, in absolute amounts and as a percentage of our Group’s total revenue, for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Trading of:								
“Tube-in-Tube” Fluorescent Lamps	25,058	35.4	33,304	41.7	17,168	48.0	13,164	34.8
Induction lamps <sup>Note</sup>	1,076	1.5	4,455	5.6	1,380	3.9	9,029	23.8
LEDs	1,045	1.5	4,300	5.4	623	1.7	970	2.6
Consultancy Services	34,992	49.4	27,856	34.8	11,853	33.1	10,503	27.8
Leasing services	8,672	12.2	10,020	12.5	4,773	13.3	4,181	11.0
Total	70,843	100.0	79,935	100.0	35,797	100.0	37,847	100.0

Note: Induction lamps include high bay lamps, flood lights and the relevant parts of such lighting products.

Our business strategies include:

- Further expand in the international markets through customisation of our lighting products and appointment of distributors
- Continue to expand in the PRC markets through offering our Consultancy Services or entering into strategic partnerships
- Continue to expand our energy saving solutions business in Hong Kong
- Enhance our research and development capabilities
- Engage in marketing activities to enhance our brand image and recognition

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## FINANCIAL INFORMATION

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### **BASIS OF PRESENTATION**

The consolidated financial information has been prepared in accordance with the basis of presentation and the accounting policies set out in note 2 and note 5 of the Accountant's Report in Appendix I to this prospectus respectively, which comply with HKFRS, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial information also includes the applicable disclosure requirements of the Companies Ordinance and the GEM Listing Rules. All HKFRSs effective for the accounting periods commencing from 1 April 2012 and relevant to our Group have been adopted by our Group in the preparation of the consolidated financial information consistently throughout the Track Record Period to the extent required or allowed by the transitional provisions in the HKFRSs. The consolidated financial information has been prepared under the historical cost convention.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in note 6 of the Accountant's Report in Appendix I to this prospectus.

The consolidated financial information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

### **FACTORS AFFECTING THE RESULTS OF OPERATIONS OF OUR GROUP**

Our Group's business, financial position and results of operations are significantly affected by a number of factors, many of which may not be within the control of our Group. The following sets out the principal factors affecting our Group's results of operations.

#### **Development of the market acceptability and demand for energy savings products**

Our financial performance is dependent upon the continued growth of consumer demand for energy saving products and energy saving management services, in particular, depends on the popularity of our Group's products and our Group's ability to continue to satisfy customers in terms of their preferences and habits. Our Group must be able to react effectively to any changes in customer's preferences and habits by modifying our existing energy saving solutions and our lighting products and/or developing new products. In addition, our Group may need to acquire new technology or develop new procedures to improve and enhance our product quality to satisfy the preferences and habits of customers. Since the energy saving industry is relatively new and has not been well defined, we may face potential competitors which traditionally may not be directly related to our energy saving lighting products markets due to continuous change in technological advancement, evolving industry standards and changing customer needs. Any failure by us to take timely measures to respond to customer's preference, competing products, technological developments and changing industry standards could adversely affect our business, operating results and financial condition.

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## FINANCIAL INFORMATION

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### Reliance on major customers

During each of the two years ended 31 March 2014 and the six months ended 30 September 2014, the five largest customers of our Group, in aggregate, accounted for approximately 82.6%, 80.4% and 88.5%, respectively, of our total revenue and the largest customer accounted for approximately 49.4%, 34.8% and 39.3%, respectively, of our total revenue. Our Group does not enter into any long-term sales agreement with our customers, including its top five customers. There is no assurance that future orders placed by our major customers will be on the same or similar terms and our Group's major customers are not obligated in any way to continue placing purchase orders with our Group at the same historical level or at all. As such, it is very important for our Group to maintain good relationships with our major customers. If any of these major customers were to substantially reduce the volume and/or the value of the orders it places with our Group or were to terminate its business relationship with our Group entirely, there is no assurance that (i) our Group would be able to obtain orders from new customers or other existing customers to replace any such loss of sales; or (ii) even if our Group would be able to obtain other orders, they would be on commercially comparable terms. As such, our Group's operations and financial results may be adversely affected.

### Business segment mix

The revenue generated by and profitability of our Group is affected by the business segment mix as products sold under different business segments have different selling prices and profit margins. During the Track Record Period, revenue generated under the segments of trading of lighting products, Consultancy Services and leasing services accounted for approximately 38.4%, 49.4% and 12.2% for the year ended 31 March 2013, respectively, approximately 52.7%, 34.8% and 12.5% for the year ended 31 March 2014, respectively, and approximately 61.2%, 27.8% and 11.0% for the six months ended 30 September 2014, respectively, of our Group's total turnover. Our Group's gross profit margins under the segments of trading of lighting products, Consultancy Services and leasing services were approximately 39.9%, 97.1% and 57.9% for the year ended 31 March 2013, respectively, approximately 44.4%, 96.9% and 53.1% for the year ended 31 March 2014, respectively, and approximately 42.0%, 97.8% and 54.1% for the six months ended 30 September 2014, respectively. Therefore, our Group's overall gross profit margin is affected by the proportion of the revenue generated from our Consultancy Services, with a comparatively higher gross profit margin, to the revenue generated from our leasing services and trading of lighting products, with a comparatively lower gross profit margin. Going forward, our Group may continue to adjust its business segment mix to satisfy customer demand and maximise profit. The revenue generated by, profitability of and financial results of our Group will be affected.

### Material costs

One of the key factors that affected our Group's results of operations is our Group's ability to source a steady supply of materials at reasonable prices. Our Group procures "Tube-in-Tube" Fluorescent Lamps and induction lamps from our OEMs and LED products from third party suppliers. The material costs accounted for approximately 66.7%, 76.3% and 82.2% of the total cost of sales for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 respectively. Our Group does not enter into any long-term agreements with its lighting products suppliers nor undertakes hedging activities against its exposure to the escalation of materials prices. Any increase in the cost of materials will affect the total cost of sales of our Group. Therefore, our financial performance in the future will depend on our bargaining power with our suppliers and our ability to pass on such increases to our customers.



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### Control over associate companies

We do not have control over our associate companies, namely SCM (BVI), in which we hold only approximately 27.2% equity interests, and its wholly-owned subsidiaries. As a result, their future business operation and expansion which requires additional funding from shareholders may increase our financial burdens or we may face dilution in our shareholdings. The consolidated results of SCM (BVI) recorded a net loss for each of the two years ended 31 March 2014 and for the six months ended 30 September 2014. There is no assurance that SCM (BVI) will turn profitable in the future, which may then affect our net profit and increase our financial burdens.

### CRITICAL ACCOUNTING POLICIES

Our Group's financial statements have been prepared in accordance with the HKFRSs. The accounting policies and accounting estimates and judgements are set out in notes 5 and 6 respectively to the Accountant's Report contained in Appendix I to this prospectus. The following paragraphs discuss those accounting policies our Group believes that are the most critical in preparing the consolidated financial information of our Group:

#### Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. 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 our Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation on property, plant and equipment other than CIP is provided over their estimated useful lives, using the straight line method. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date. The useful lives are as follows:

Leasehold improvements	3 years or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	2 years
Lighting systems	5 years

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

CIP, which is stated at cost less impairment losses, representing lighting systems pending installation as well as cost incurred during the periods of installation and testing. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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## FINANCIAL INFORMATION

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### Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Consultancy Services income is recognised when services are rendered.

Leasing services income consists of (i) operating lease rental income and is recognised on a time proportion basis over the period of lease term; or (ii) finance lease income and is recognised over the period of lease using the effective interest method.

### 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 lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of our Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on our Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

#### *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.

### Intangible assets

#### *(i) Acquired intangible assets*

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows.

Exclusive rights to use technical know-how

5 years

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## FINANCIAL INFORMATION

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### **(ii) Impairment**

At the end of the reporting periods, our Group reviews the carrying amounts of its intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount 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.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

### **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 weighted-average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### **KEY SOURCE OF ESTIMATION UNCERTAINTY**

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

#### **Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Inventory value is reduced when the decision to markdown below cost is made. Management reassesses the estimations at the reporting date.

#### **Impairment of trade and other receivables**

Our Group's management assesses the collectibility of trade and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of our Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date.

#### **Impairment of finance lease receivables**

When there is objective evidence of impairment loss, our Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

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## FINANCIAL INFORMATION

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### **Depreciation**

Our Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into use. The estimated useful lives reflect the directors' estimate of the periods that our Group intends to derive future economic benefits from the use of our Group's property, plant and equipment.

### **Estimated useful lives of intangible assets**

In assessing the estimated useful lives of the intangible assets, our Group takes into account factors like the expected usage of the assets by our Group based on past experience, the technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of the useful lives is a matter of judgement based on the experience of our Group.

### **Impairment of non-financial assets**

Our Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, our Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value in use requires our Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

### **Fair value of intangible assets**

Intangible assets acquired separately by our Group are initially recognised at fair value. Our Group engaged independent professionally qualified valuers to perform the valuation of the intangible assets of our Group at the date of acquisition. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

### **Warranty provision**

Our Group generally offers two to three years warranty for the lighting products during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The warranty provision was being provided at 2% to 10%, depends on the product type, of the amount of the lighting products sold for our trading of lighting products business. The Directors are of the opinion the percentage of the warranty provision is adequate based on the past experience of the failure rate of our lighting products. Besides we usually request our suppliers to provide product warranty to us and in most cases the warranty provided by our suppliers are the same to the period we provide to our customers.

## FINANCIAL INFORMATION

### Income tax

Determining income tax provisions requires our Group to make judgement on the future tax treatment of certain transactions. Our Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

### RESULTS OF OPERATIONS

The following table presents a summary of the consolidated financial information of our Group for the Track Record Period which has been extracted from, and should be read in conjunction with, the Accountant's Report sets out in Appendix I to this prospectus.

#### I. Consolidated statements of comprehensive income

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Revenue	70,843	79,935	35,797	37,847
Cost of sales	(21,018)	(28,941)	(12,339)	(15,583)
Gross profit	49,825	50,994	23,458	22,264
Other income and gains	1,800	1,937	904	995
Administrative expenses	(14,516)	(12,958)	(6,327)	(4,483)
Selling and distribution costs	(3,552)	(2,303)	(1,316)	(1,160)
Finance costs	(223)	(231)	(219)	(3)
Other expenses	(94)	(2,221)	–	(315)
Share of results of associates	(4,384)	(4,198)	(2,067)	(1,971)
Profit before income tax	28,856	31,020	14,433	15,327
Income tax expense	(6,794)	(7,482)	(3,354)	(3,492)
Profit for the year/period	22,062	23,538	11,079	11,835
Other comprehensive income for the year/period	–	–	–	(3)
Total comprehensive income for the year/period attributable to the owners of the Company	<u>22,062</u>	<u>23,538</u>	<u>11,079</u>	<u>11,832</u>
Earnings per share for profit attributable to the owners of the Company during the year/period				
– Basic (HK\$ cents)	<u>5.3</u>	<u>5.7</u>	<u>2.7</u>	<u>2.9</u>

## FINANCIAL INFORMATION

### DESCRIPTION OF PRINCIPAL INCOME STATEMENT ITEMS

#### Revenue

During the Track Record Period, our revenue was mainly derived from three business segments namely trading of lighting products including “Tube-in-Tube” Fluorescent Lamps, LED products and induction lamps, provision of Consultancy Services and provision of leasing services of lighting systems. Over the Track Record Period, the Consultancy Services income has been contributing a significant portion to our Group’s revenue while the combined portion of trading of lighting products and leasing services income have been contributing an increasing percentage of approximately 50.6%, 65.2% and 72.2% to our total revenue for the years ended 31 March 2013 and 2014 and the six months ended 30 September 2014 respectively. The following table sets forth a breakdown of revenue by category during the Track Record Period.

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Trading of lighting products								
Overseas	25,673	36.2	37,062	46.4	17,966	50.2	22,022	58.2
Hong Kong	1,506	2.2	4,997	6.3	1,205	3.4	1,141	3.0
Consultancy Services income	34,992	49.4	27,856	34.8	11,853	33.1	10,503	27.8
Leasing services income	8,672	12.2	10,020	12.5	4,773	13.3	4,181	11.0
Total revenue	<u>70,843</u>	<u>100.0</u>	<u>79,935</u>	<u>100.0</u>	<u>35,797</u>	<u>100.0</u>	<u>37,847</u>	<u>100.0</u>

The following table sets forth the average unit selling price for the main lighting products offered by our Group during the Track Record Period:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$	HK\$	HK\$	HK\$
Tube-in-Tube Fluorescent Lamps	124	126	121	125
Induction lamps <sup>Note</sup>	1,741	1,535	1,441	1,709
LEDs	209	449	203	193

Note: Induction lamps include high bay lamps, flood lights and the relevant parts of such lighting products.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of revenue by geographical areas during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Hong Kong	45,170	63.8	42,873	53.6	17,831	49.8	15,825	41.8
Japan	10,065	14.2	23,594	29.5	6,665	18.6	14,884	39.3
Australia	8,190	11.6	3,853	4.8	3,853	10.8	6,855	18.1
Malaysia	4,080	5.8	5,859	7.3	5,859	16.4	–	–
Singapore	1,231	1.7	2,649	3.3	1,040	2.9	19	0.1
Other overseas regions	2,107	2.9	1,107	1.5	549	1.5	264	0.7
Total revenue	70,843	100.0	79,935	100.0	35,797	100.0	37,847	100.0

During the Track Record Period, a substantial amount of our income was derived from Well Spread. The level of this reliance had been decreasing during the Track Record Period, with our income from Well Spread representing approximately 49.4%, 34.8% and nil of our total revenue for each of the two years ended 31 March 2014 and the six months ended 30 September 2014 respectively. The decreasing reliance was due to (i) the fact that revenue from our other sources of income increased over the Track Record Period and, notably, the revenue from our trading of lighting products business, especially from the overseas distribution, had been contributing significantly to our total revenue for the year ended 31 March 2014 and the six months ended 30 September 2014; (ii) the continued growth of our leasing services, which accounted for approximately 12.2%, 12.5% and 11.0% of the total revenue of our Group during the two years ended 31 March 2013 and 2014 and for the six months ended 30 September 2014; and (iii) the signing of a new CS Contract with our new customer for Consultancy Services in August 2014. During each of the two years ended 31 March 2014 and the six months ended 30 September 2014, the trading of our lighting products contributed revenue of approximately HK\$27.2 million, HK\$42.1 million and HK\$23.2 million respectively and representing approximately 38.4%, 52.7% and 61.2% of our total revenue in the respective periods.

Furthermore, it is our Group's strategy to further expand the clientele of our Consultancy Services should we be able to identify suitable potential customer, further explore opportunities for cooperation with suitable business partners for our Group to explore business opportunities worldwide, continue to develop our distributors network, and further develop our leasing services. As such, our Directors are of view that our Group is not reliant upon Well Spread, and the contribution by Well Spread in terms of the proportion of income contribution to our Group's total revenue will be further reduced.

As two of our business segments, namely the trading of lighting products and the leasing services segments, are mostly bound by long term contracts, taking into consideration the past trading records of these customers and their purchase/leasing commitments under their respective agreements with our Group, our Directors are of the opinion that our Group's business will be sustainable.

### Cost of sales

Our cost of sales comprises material costs, depreciation of leased lighting systems, labour costs, amortisation of patents right, warranty costs, installation costs, quality control costs, and other indirect costs including research and development costs and transportation. For each of the two years ended 31 March 2014 and the six months ended 30 September 2014, our cost of sales amounted to approximately HK\$21.0 million, HK\$28.9 million and HK\$15.6 million respectively, representing approximately 29.7%, 36.2% and 41.2% of our total revenue respectively.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of cost of sales by component for the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Material costs	14,024	66.7	22,072	76.3	9,059	73.4	12,810	82.2
Depreciation of leased lighting systems	1,954	9.3	2,480	8.6	1,256	10.2	1,107	7.1
Labour costs	924	4.4	784	2.7	393	3.2	363	2.3
Amortisation of patents right	770	3.7	770	2.7	385	3.1	385	2.5
Warranty costs	480	2.3	432	1.5	323	2.6	254	1.6
Installation costs	209	1.0	147	0.5	74	0.6	103	0.7
Quality control costs	180	0.9	180	0.6	90	0.7	90	0.6
Research and development costs	2,119	10.0	1,875	6.5	643	5.2	367	2.4
Transportation	358	1.7	201	0.6	116	1.0	104	0.6
<b>Total</b>	<b>21,018</b>	<b>100.0</b>	<b>28,941</b>	<b>100.0</b>	<b>12,339</b>	<b>100.0</b>	<b>15,583</b>	<b>100.0</b>

The major components of our cost of sales were material costs, depreciation of leased lighting systems and labour costs. For each of the two years ended 31 March 2014 and the six months ended 30 September 2014, the combined material costs, depreciation of leased lighting systems and labour costs amounted to approximately HK\$16.9 million, HK\$25.3 million and HK\$14.3 million respectively which accounted for approximately 80.4%, 87.6% and 91.6% of the total cost of sales for the respective year/period.

### Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. For each of the two years ended 31 March 2014 and the six months ended 30 September 2014, the gross profit of our Group was approximately HK\$49.8 million, HK\$51.0 million and HK\$22.3 million, respectively. The gross profit margin, which is equal to gross profit divided by revenue, was approximately 70.3%, 63.8% and 58.8% respectively.

The following table sets forth the revenue, cost of sales, gross profit as well as their respective percentage to our total revenue during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
	(Unaudited)							
Revenue	70,843	100.0	79,935	100.0	35,797	100.0	37,847	100.0
Cost of sales	(21,018)	(29.7)	(28,941)	(36.2)	(12,339)	(34.5)	(15,583)	(41.2)
<b>Gross Profit</b>	<b>49,825</b>	<b>70.3</b>	<b>50,994</b>	<b>63.8</b>	<b>23,458</b>	<b>65.5</b>	<b>22,264</b>	<b>58.8</b>



## FINANCIAL INFORMATION

The following table sets out the breakdown of our Group's gross profit and gross profit margin by segment during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	
	(Unaudited)							
Trading of lighting products	10,834	39.9	18,683	44.4	9,105	47.5	9,730	42.0
Consultancy Services	33,972	97.1	26,995	96.9	11,517	97.2	10,273	97.8
Leasing services	<u>5,019</u>	57.9	<u>5,316</u>	53.1	<u>2,836</u>	59.4	<u>2,261</u>	54.1
Total	<u>49,825</u>	70.3	<u>50,994</u>	63.8	<u>23,458</u>	65.5	<u>22,264</u>	58.8

Our overall gross profit margin has been decreasing during the Track Record Period as a result of increase in our undertaking of trading of lighting products and leasing services which have relatively lower gross profit margin as compared to Consultancy Services. As we expect the revenue to be generated from our trading business will increase in the future, our related costing structure is expected to change accordingly (i.e. our costs of sales, in particular our material costs as well as warranty costs, are expected to increase). Due to the fact that our trading business is not the business segment with the highest gross profit margin and net profit margin, increase in the proportion of total revenue attributable to our trading business may affect our overall profitability.

### Other income and gains

During the Track Record Period, our other income and gains mainly consists of management service income received from an associate.

### Administrative expenses

Administrative expenses include expenses incurred from time to time to support our Group's normal course of business, including principally legal and professional fees, staff costs, rent and rates expenses, travel and entertainment expenses, directors' remuneration and depreciation. Legal and professional fees, staff costs and rent and rates expenses were the three major items under the administrative expenses and represented approximately 79.0%, 73.6% and 75.3% of our total administrative expenses for each of the two years ended 31 March 2013 and 2014 and the six months ended 30 September 2014 respectively. Staff costs mainly relate to the salaries of accounting and administrative staff of our Group.

## FINANCIAL INFORMATION

The following table sets forth the administrative expenses for each of the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Legal and professional fees	8,059	55.5	5,746	44.3	2,974	47.0	1,605	35.8
Staff costs	2,006	13.8	2,115	16.3	1,018	16.1	841	18.8
Rent and rates expenses	1,405	9.7	1,681	13.0	841	13.3	928	20.7
Travel and entertainment expenses	969	6.7	1,385	10.7	601	9.5	425	9.5
Directors' remuneration	504	3.5	504	3.9	252	4.0	158	3.5
IT service expenses	650	4.5	636	4.9	318	5.0	168	3.7
Telecommunication expenses	158	1.1	190	1.5	86	1.4	79	1.8
Depreciation	207	1.4	54	0.4	30	0.5	26	0.6
Insurance expenses	106	0.7	91	0.7	44	0.7	46	1.0
Others	452	3.1	556	4.3	163	2.5	207	4.6
<b>Total</b>	<b>14,516</b>	<b>100.0</b>	<b>12,958</b>	<b>100.0</b>	<b>6,327</b>	<b>100.0</b>	<b>4,483</b>	<b>100.0</b>

### Selling and distribution costs

The selling and distribution costs principally comprise staff costs and commissions, advertising and promotion expenses and warehouse storage. The following table sets forth a breakdown of the selling and distribution costs by component for the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Staff costs and commissions	1,944	54.7	1,779	77.2	944	71.7	960	82.7
Advertising and promotion	1,459	41.1	359	15.6	295	22.4	110	9.5
Warehouse storage	149	4.2	165	7.2	77	5.9	90	7.8
<b>Total</b>	<b>3,552</b>	<b>100.0</b>	<b>2,303</b>	<b>100.0</b>	<b>1,316</b>	<b>100.0</b>	<b>1,160</b>	<b>100.0</b>

### Finance costs

Finance costs refer to interest and incidental costs on our borrowings. The balance of our finance lease obligations were approximately HK\$7,000 as at 31 March 2013 which was subsequently settled during the year ended 31 March 2014. Our total borrowings were approximately HK\$5.0 million, HK\$0.2 million and HK\$0.5 million as at 31 March 2013 and 2014 and 30 September 2014 respectively.

## FINANCIAL INFORMATION

### Other expenses

Other expenses primarily include bad debts written off, losses on disposals of property, plant and equipment and a tax surcharge of approximately HK\$1.6 million incurred for the year ended 31 March 2014.

We received the tax assessment and notice for payment of tax/provisional tax in December 2013, after the SME Banking Facilities as disclosed in the paragraph headed “Borrowings” in this section were cancelled with effect from 18 November 2013. Although we were offered another proposed banking facilities by the same bank when our Group was applying for the cancellation of the SME Banking Facilities for a higher facility limit with better terms, our Directors considered that it would give more flexibility for us to better utilise our cash and/or such new banking facilities in case that we were in need of funding for our business development, and hence be in the best interest to our Group, if we settle the tax for the year of assessment of 2012/2013 and the provisional tax for the year of assessment of 2013/2014 of approximately HK\$13.6 million in aggregate by installments. Thus, at the relevant time, we did not accept and utilise the aforementioned new banking facilities to make a one-off full payment of the tax. The IRD approved our installment payment plan and in consideration, charged us a tax surcharge of approximately HK\$1.6 million which was calculated based on 5% on the aggregate tax liability of our Hong Kong subsidiary of our Group of approximately HK\$13.6 million and a further 10% on the aggregate amount payable in the sixth to the twelve installments. Our Directors confirmed that we have not encountered any cash flow problem in settling the tax payments on time and as at the Latest Practicable Date, we have settled all such installment payment on time as agreed with the IRD.

The following table sets forth the other expenses for each of the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Bad debts written off	19	20.2	222	10.0	-	-	-	-
Losses on disposals of property, plant and equipment	75	79.8	385	17.3	-	-	315	100.0
Tax surcharge	-	-	1,610	72.5	-	-	-	-
Loss on disposal of a subsidiary	-	-	4	0.2	-	-	-	-
Total	94	100.0	2,221	100.0	-	-	315	100.0

### Income tax expense

Income tax expense comprises current tax and deferred tax.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. The statutory income tax rate of our Group's subsidiaries registered in Hong Kong is 16.5%. Our Group had no other tax payable in other jurisdictions during the Track Record Period.

The income tax expense imposed on our Group consist of Hong Kong profits tax from SLL. Except for this company of our Group, no provision of income tax has been provided for during the Track Record Period as they did not have assessable profits subject to Hong Kong profits tax.

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## FINANCIAL INFORMATION

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### Financial performance for the year ended 31 March 2014 compared to the year ended 31 March 2013

#### **Revenue**

Our revenue increased by approximately HK\$9.1 million or 12.8% from approximately HK\$70.8 million for the year ended 31 March 2013 to approximately HK\$79.9 million for the year ended 31 March 2014. The growth of our revenue was primarily attributable to the increase in revenue from our trading of lighting products and leasing services, which were partly offset by the decrease in Consultancy Services income.

Our revenue generated from trading of lighting products increased by approximately HK\$14.9 million or 54.7% from approximately HK\$27.2 million for the year ended 31 March 2013 to approximately HK\$42.1 million for the year ended 31 March 2014. The significant increase was due to our continuing effort on developing our overseas markets through our distributors. We sold more lighting products (which include our “Tube-in-Tube” Fluorescent Lamps, LEDs and induction lamps) to our distributors in Japan, Singapore and Malaysia due to increased demand in these countries. As a result, sales to overseas markets for the year ended 31 March 2014 was significantly higher than that of the year ended 31 March 2013.

Our Consultancy Services income decreased by approximately HK\$7.1 million or 20.4% from approximately HK\$35.0 million for the year ended 31 March 2013 to approximately HK\$27.9 million for the year ended 31 March 2014. The decrease in Consultancy Services income was primarily due to decrease in demand of Consultancy Services from Well Spread for the year ended 31 March 2014.

Our leasing service income increased by approximately HK\$1.3 million or 15.5% from approximately HK\$8.7 million for the year ended 31 March 2013 to approximately HK\$10.0 million for the year ended 31 March 2014. The increase was mainly due to the increase in finance lease arrangement for the year ended 31 March 2014.

#### **Cost of sales**

Our cost of sales increased by approximately HK\$7.9 million or 37.7% from approximately HK\$21.0 million for the year ended 31 March 2013 to approximately HK\$28.9 million for the year ended 31 March 2014. Most of the principal components of the cost of sales increased significantly during the year ended 31 March 2014. Our material costs increased by approximately 1.6 times from approximately HK\$14.0 million for the year ended 31 March 2013 to approximately HK\$22.1 million for the year ended 31 March 2014, mainly due to the expansion of overseas trading business. The depreciation costs increased by approximately 26.9% from approximately HK\$2.0 million for the year ended 31 March 2013 to approximately HK\$2.5 million for the year ended 31 March 2014, mainly due to the additional lighting products deployed to sites.

Our warranty costs decreased by approximately 10.0% from approximately HK\$0.5 million for the year ended 31 March 2013 to approximately HK\$0.4 million for the year ended 31 March 2014, primarily due to decrease in warranty provision based on management estimates upon past experience. Our transportation costs decreased by approximately 43.9% from approximately HK\$0.4 million for the year ended 31 March 2013 to approximately HK\$0.2 million for the year ended 31 March 2014, primarily due to less transportation cost for samples delivered to customers.

Our research and development costs decreased by approximately 11.5% from approximately HK\$2.1 million for the year ended 31 March 2013 to approximately HK\$1.9 million for the year ended 31 March 2014 were mainly due to the lower research and development costs required for our developed products. As the number of new markets we intended to develop for our lighting products decreased for the year ended 31 March 2014 as compared with that for the year ended 31 March 2013, relatively lower research and development costs were incurred for the customisation of our products for new markets

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during the year ended 31 March 2014. Labour costs decreased by approximately 15.2% for the year ended 31 March 2014 as compared to that of the year ended 31 March 2013, the decrease was primarily due to the decreased average salaries of the project management team as a result of our staff movements in connection with the promotion of one of our team member and the recruitment of a new junior member following the departure of our then project manager. Installation costs decreased by approximately 29.7% for the year ended 31 March 2014 as compared to that of the year ended 31 March 2013, the decrease was not in line with the increase in trading of lighting products in Hong Kong as not all our trading customers required installation service.

### ***Gross profit and gross profit margin***

Our overall gross profit increased by approximately HK\$1.2 million or 2.3% from approximately HK\$49.8 million for the year ended 31 March 2013 to approximately HK\$51.0 million for the year ended 31 March 2014. The increase was due to an overall increase of gross profit of most of our revenue segments with gross profit generated from the trading of lighting products segment increased the most, from approximately HK\$10.8 million for the year ended 31 March 2013 to approximately HK\$18.7 million for the year ended 31 March 2014.

Our overall gross profit margin decreased from approximately 70.3% for the year ended 31 March 2013 to approximately 63.8% for the year ended 31 March 2014. The decrease was mainly due to increase in revenue generated from trading of lighting products segment which had relatively lower gross profit margin than Consultancy Services.

Our gross profit margin for trading of lighting products increased from approximately 39.9% for the year ended 31 March 2013 to approximately 44.4% for the year ended 31 March 2014. The increase in gross profit margin for trading of lighting products was mainly due to increased number of lighting products sold to Japan and Malaysia which had a relatively higher gross profit margin and our Group benefited from economies of scale when a number of related costs are fixed in nature and did not increase in line with the revenue. Our relatively high gross profit margin in our trading business was mainly attributable to the fact that our Group enjoyed economies of scale as our revenue and trading volume increased. Furthermore, our Group was in a better position to charge a more favorable price that yielded a better gross profit due to (i) the acceptance of our energy saving products in our overseas markets, (ii) our edge associated with our “Tube-in-Tube” Fluorescent Lamp technology and its electricity savings amounts, and (iii) the relatively higher electricity price in most of our overseas markets which enhanced our product prices in such markets.

Our gross profit margin for Consultancy Services income was approximately 96.9% for the year ended 31 March 2014, the gross profit margin remained relatively stable as compared to the gross profit margin of approximately 97.1% for the year ended 31 March 2013. Unlike leasing services and trading of lighting products, Consultancy Services do not involve significant direct costs such as material purchase cost or deployment cost in the other two segments which are quite significant as compared to the income earned from those segments. The direct costs of Consultancy Services which mainly include staff salaries and research costs are relatively low as compared to the attributable income and thus resulting in a significantly higher gross profit margin when compared to the other two segments.

Our gross profit margin for leasing services income decreased from approximately 57.9% for the year ended 31 March 2013 to approximately 53.1% for the year ended 31 March 2014. The decrease was primarily due to increase in finance lease which had a relatively lower gross profit margin and increase in depreciation. Our relatively high gross profit margin in our leasing services business was due to (i) the acceptance of our successful energy saving solutions, (ii) our edge associated with our “Tube-in-Tube” Fluorescent Lamp technology and its electricity savings amounts, (iii) the stable performance of our products together with our competitive production costs, and (iv) our efficient project team. For these reasons, our Directors believe that our Group was able to achieve a higher gross profit margin in this segment.

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### ***Other income and gains***

Other income and gains of approximately HK\$1.8 million and HK\$1.9 million were generated for the years ended 31 March 2013 and 2014 respectively. The amount primarily represented the monthly service fee of HK\$150,000 received from an associate of our Group, SCM (HK), which we acquired approximately 27.2% shareholding in June 2011, for the accounting, marketing, general administration and human resource supporting services.

### ***Administrative expenses***

Our administrative expenses decreased by approximately HK\$1.5 million or 10.7% from approximately HK\$14.5 million for the year ended 31 March 2013 to approximately HK\$13.0 million for the year ended 31 March 2014, representing approximately 20.5% and 16.2% of the total revenue for the respective year.

Our staff costs increased from approximately HK\$2.0 million for the year ended 31 March 2013 to approximately HK\$2.1 million for the year ended 31 March 2014, primarily due to increase in salaries. Legal and professional fees amounted to approximately HK\$8.1 million for the year ended 31 March 2013 and approximately HK\$5.7 million for the year ended 31 March 2014. The decrease in legal and professional fees was mainly due to less listing expenses recognised for the year ended 31 March 2014 as compared to that of the year ended 31 March 2013. Travelling and entertainment expenses increased significantly from approximately HK\$1.0 million for the year ended 31 March 2013 to approximately HK\$1.4 million for the year ended 31 March 2014 and the increase was in line with our business development.

### ***Selling and distribution costs***

Our selling and distribution costs principally comprise staff costs and commissions, advertising and promotion expenses and warehouse storage.

Our selling and distribution costs decreased significantly by approximately HK\$1.3 million or 35.2% from approximately HK\$3.6 million for the year ended 31 March 2013 to approximately HK\$2.3 million for the year ended 31 March 2014. The decrease in our selling and distribution costs was primarily due to the decrease in advertising and promotion expenses, staff costs and commissions. The decrease in salaries, welfare and incentive bonus to selling and distribution staffs was primarily due to decrease in number of selling staff. Advertising and promotion expenses decreased significantly from approximately HK\$1.5 million to approximately HK\$0.4 million for the years ended 31 March 2013 and 2014 respectively, primarily due to less exhibition and sample expense as we did not participate in any trade fair for the year ended 31 March 2014.

### ***Finance costs***

Our finance costs were approximately HK\$0.2 million for each of the two years ended 31 March 2013 and 2014.

### ***Other expenses***

Our other expenses increased from approximately HK\$0.1 million for the year ended 31 March 2013 to approximately HK\$2.2 million for the year ended 31 March 2014. The increase was primarily due to the bad debts written off for trade receivables of approximately HK\$0.2 million and the tax surcharge of approximately HK\$1.6 million.

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### ***Income tax expense***

Our income tax expense increased by approximately HK\$0.7 million or 10.1% from approximately HK\$6.8 million for the year ended 31 March 2013 to approximately HK\$7.5 million for the year ended 31 March 2014, primarily due to the increase in assessable profit. Our effective tax rate was approximately 23.5% and 24.1% for the years ended 31 March 2013 and 31 March 2014 respectively. The effective tax rate for the year ended 31 March 2014 was comparatively higher which was primarily due to the incurrance of non-deductible listing expenses and share of loss by our Group from our associated company during the year.

### ***Net profit***

The net profit of our Group for the years ended 31 March 2013 and 2014 was approximately HK\$22.1 million and HK\$23.5 million respectively. The net profit margin has decreased from approximately 31.1% for the year ended 31 March 2013 to approximately 29.4% for the year ended 31 March 2014. The increase in net profit resulted from the increase in revenue for the year ended 31 March 2014, while the decrease in net profit margin for the year ended 31 March 2014 was mainly attributable to the increase in the proportion of revenue generated from the provision of leasing services and trading of lighting products, and these two segments had a relatively lower profit margin than that of our Consultancy Services business.

### **Financial performance for the six months ended 30 September 2014 compared to the six months ended 30 September 2013**

#### ***Revenue***

Our Group's revenue increased by approximately HK\$2.0 million or 5.7% from approximately HK\$35.8 million for the six months ended 30 September 2013 to approximately HK\$37.8 million for the six months ended 30 September 2014. The growth of the our revenue was primarily attributable to the increase in revenue from our trading of lighting products.

The revenue for trading of lighting products increased by approximately HK\$4.0 million or 20.8% from approximately HK\$19.2 million for the six months ended 30 September 2013 to approximately HK\$23.2 million for the six months ended 30 September 2014. The significant increase was mainly due to the continuous increase in overseas sales through our distributors, especially for sales to Japan and Australia as a result of selling more lighting products, in particular, induction lamps, to such markets. The revenue contribution from trading of induction lamps to our Group increased significantly from approximately 3.9% to approximately 23.8% of our Group's total revenue for the six months ended 30 September 2014 compared with that for the six months ended 30 September 2013 as we sold more induction lamps to suit the needs of our distributors, especially for the Japan and Australia market.

The revenue from our Consultancy Services business slightly decreased by approximately HK\$1.4 million or 11.4% from approximately HK\$11.9 million for the six months ended 30 September 2013 to approximately HK\$10.5 million for the six months ended 30 September 2014. The Consultancy Services income was relatively stable for both periods.

The revenue from our leasing services business decreased by approximately HK\$0.6 million or 12.4% from approximately HK\$4.8 million for the six months ended 30 September 2013 to approximately HK\$4.2 million for the six months ended 30 September 2014. This was mainly due to termination of certain EMCs upon expiry which resulted in decrease in total number of EMCs.

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### ***Cost of sales***

Our cost of sales increased by approximately HK\$3.3 million or 26.3% from approximately HK\$12.3 million for the six months ended 30 September 2013 to approximately HK\$15.6 million for the six months ended 30 September 2014. Such increase was primarily due to the increase in material costs. Our material costs increased by approximately 41.4% from approximately HK\$9.1 million to approximately HK\$12.8 million mainly due to increase in our overseas sales. The increase in material costs was higher than the increase in revenue for trading of lighting products, primarily because of the increase in sales of induction lamps which had relatively higher material costs.

The decrease in the amount of depreciation of leased lighting systems by approximately 11.9% from approximately HK\$1.3 million to HK\$1.1 million was mainly due to the decrease in the total number of lighting products installed as a result of decreased number of EMCs. Our warranty costs decreased by approximately 21.4% for the six months ended 30 September 2014 due to the decrease in warranty provision based on management estimates upon past experience.

Our research and development costs decreased by approximately 42.9% from approximately HK\$0.6 million for the six months ended 30 September 2013 to HK\$0.4 million for the six months ended 30 September 2014 mainly due to the lower research and development costs incurred for the customisation of our products during the six months ended 30 September 2014, in line with the decrease in the number of new markets we intended to develop for our lighting products. Labour costs decreased by approximately 7.6% for the six months ended 30 September 2014 mainly due to the decrease in average salaries of our project management team as a result of our staff movements in connection with the promotion of one of the team members and the recruitment of a new junior member following the departure of the then project manager. Installation costs increased by approximately 39.2% for the six months ended 30 September 2014, the percentage of increase in installation costs was larger than the percentage of increase in revenue for trading of lighting products as more trading customers required installation services.

### ***Gross profit and gross profit margin***

Our overall gross profit decreased by approximately 5.1% from approximately HK\$23.5 million for the six months ended 30 September 2013 to approximately HK\$22.3 million for the six months ended 30 September 2014. The decrease was mainly due to an overall decrease of gross profit from our leasing services segment and Consultancy Services segment with gross profit generated from the Consultancy Services segment having decreased the most, from approximately HK\$11.5 million for the six months ended 30 September 2013 to approximately HK\$10.3 million for the six months ended 30 September 2014. The decrease was partially offset by the increase of gross profit in trading of lighting products segment with gross profit increased from approximately HK\$9.1 million for the six months ended 30 September 2013 to approximately HK\$9.7 million for the six months ended 30 September 2014.

Our overall gross profit margin decreased from approximately 65.5% for the six months ended 30 September 2013 to approximately 58.8% for the six months ended 30 September 2014. The decrease for the period was mainly due to increase in revenue generated from trading of lighting products segment which had relatively lower gross profit margin than Consultancy Services segment.



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Our gross profit margin for trading of lighting products was approximately 47.5% for the six months ended 30 September 2013 and approximately 42.0% for the six months ended 30 September 2014. The decrease was mainly due to increase in sales of induction lamps which had relatively higher material costs and thus a lower gross profit margin.

Our gross profit margin for Consultancy Services income was approximately 97.8% for the six months ended 30 September 2014. The gross profit margin remained relatively stable as compared to the gross profit margin of approximately 97.2% for the six months ended 30 September 2013.

Our gross profit margin for leasing services income decreased from approximately 59.4% for the six months ended 30 September 2013 to approximately 54.1% for the six months ended 30 September 2014. The decrease was mainly attributable to the increase in material costs due to the increase in finance lease income.

### ***Other income and gains***

Other income and gains of approximately HK\$0.9 million and HK\$1.0 million was generated for the six months ended 30 September 2013 and 2014 respectively. The amount primarily represented the monthly service fee of HK\$150,000 for both periods received from an associate of our Group, SCM (HK), in which we acquired approximately 27.2% shareholding in June 2011, for the accounting, marketing, general administration and human resource supporting services. For the six months ended 30 September 2013 and 2014, net foreign exchange gain were approximately HK\$4,000 and HK\$6,000 respectively.

### ***Administrative expenses***

Administrative expenses of our Group decreased significantly by approximately 29.1% from approximately HK\$6.3 million for the six months ended 30 September 2013 to approximately HK\$4.5 million for the six months ended 30 September 2014 and representing approximately 17.7% and 11.8% of the turnover for the respective period.

The decrease in our administrative expenses during the six months ended 30 September 2014 was primarily due to the significant decrease in legal and professional fees from approximately HK\$3.0 million for the six months ended 30 September 2013 to approximately HK\$1.6 million for the six months ended 30 September 2014 as less listing expenses incurred during the six months ended 30 September 2014. Staff costs for the six months ended 30 September 2014 decreased by approximately 17.4% as compared to that of the six months ended 30 September 2013, primarily due to decrease in number of administrative staff. Our travelling and entertainment expenses decreased by approximately 29.3% as compared to that of the six months ended 30 September 2013, primarily due to less overseas travelling.

### ***Selling and distribution costs***

Our selling and distribution costs principally comprise staff costs and commissions, advertising and promotion expenses and warehouse storage.

Our selling and distribution costs decreased by approximately 11.9% from approximately HK\$1.3 million for the six months ended 30 September 2013 to approximately HK\$1.2 million for the six months ended 30 September 2014. The decrease in our selling and distribution costs during the six months ended 30 September 2014 was primarily due to the decrease in advertising and promotion expenses from approximately HK\$0.3 million to approximately HK\$0.1 million for the six months ended 30 September 2013 and 2014 respectively because less media placements were made during the period.

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### ***Finance costs***

Our finance costs decreased from approximately HK\$0.2 million for the six months ended 30 September 2013 to approximately HK\$3,000 for the six months ended 30 September 2014. The decrease in finance costs was due to cancellation of the SME Banking Facilities of HK\$8.0 million in November 2013.

### ***Other expenses***

Our other expenses for the six months ended 30 September 2014 solely represented losses on disposals of property, plant and equipment.

### ***Income tax expense***

The increase in the income tax expense of our Group from approximately HK\$3.4 million for six months ended 30 September 2013 to approximately HK\$3.5 million for the six months ended 30 September 2014 was primarily due to the deferred tax expense recognised for the accelerated tax depreciation. Our effective tax rate was approximately 23.2% and 22.8% for the six months ended 30 September 2013 and 2014 respectively. The effective tax rates were relatively stable for both periods.

### ***Net profit***

The net profit of our Group for the six months ended 30 September 2013 and 2014 was approximately HK\$11.1 million and HK\$11.8 million respectively. The net profit margin has increased from approximately 30.9% for the six months ended 30 September 2013 to approximately 31.3% for the six months ended 30 September 2014. The increase in both of net profit and net profit margin was mainly resulted from the increase in revenue and less legal and professional fees were incurred during the six months ended 30 September 2014.

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### II. Consolidated statements of financial position

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8,870	6,407	5,781
Intangible assets	1,348	578	193
Interests in associates	19,096	14,898	12,924
Finance lease receivables	–	478	518
Rental deposits	424	–	156
	<u>29,738</u>	<u>22,361</u>	<u>19,572</u>
<b>Current assets</b>			
Inventories	389	405	305
Trade receivables	44,139	69,897	58,977
Finance lease receivables	–	231	424
Deposits, prepayments and other receivables	3,017	4,045	7,316
Due from associates	1,117	3,711	1,903
Cash and cash equivalents	7,313	3,202	1,209
	<u>55,975</u>	<u>81,491</u>	<u>70,134</u>
<b>Total assets</b>	<u>85,713</u>	<u>103,852</u>	<u>89,706</u>
<b>Current liabilities</b>			
Trade payables	4,859	5,837	14,265
Accruals, other payables and deposits received	4,547	8,335	12,708
Dividends payable	–	40,016	2,972
Borrowings	5,038	167	143
Finance lease obligations	7	–	–
Due to a related company	732	53	221
Due to directors	4,775	–	–
Provision for taxation	13,151	13,801	11,472
	<u>33,109</u>	<u>68,209</u>	<u>41,781</u>
<b>Net current assets</b>	<u>22,866</u>	<u>13,282</u>	<u>28,353</u>
<b>Total assets less current liabilities</b>	<u>52,604</u>	<u>35,643</u>	<u>47,925</u>
<b>Non-current liabilities</b>			
Deposits received	1,056	573	353
Borrowings	–	–	384
Deferred tax liabilities	–	–	286
	<u>1,056</u>	<u>573</u>	<u>1,023</u>
<b>Total liabilities</b>	<u>34,165</u>	<u>68,782</u>	<u>42,804</u>
<b>TOTAL NET ASSETS</b>	<u>51,548</u>	<u>35,070</u>	<u>46,902</u>

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	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
<b>Capital and reserves</b>			
Share capital	176	176	176
Reserves	<u>51,372</u>	<u>34,894</u>	<u>46,726</u>
<b>TOTAL EQUITY</b>	<u>51,548</u>	<u>35,070</u>	<u>46,902</u>

### ***Property, plant and equipment***

The net carrying value of the property, plant and equipment amounted to approximately HK\$8.9 million, HK\$6.4 million and HK\$5.8 million as at 31 March 2013 and 2014 and 30 September 2014 respectively. The property, plant and equipment mainly comprised lighting systems which were the lighting products deployed in our Hong Kong customers' sites, construction in progress, furniture, fixtures and office equipment.

For the year ended 31 March 2013, the addition in property, plant and equipment amounted to approximately HK\$3.7 million which primarily represented additions in construction in progress amounted to approximately HK\$3.7 million. The depreciation for the year amounted to approximately HK\$2.2 million and disposals of property, plant and equipment amounted to approximately HK\$92,000.

For the year ended 31 March 2014, our Group acquired additional property, plant and equipment of approximately HK\$1.1 million, of which the additions in construction in progress amounted to approximately HK\$1.1 million. The depreciation for the year amounted to approximately HK\$2.5 million and disposals of property, plant and equipment amounted to approximately HK\$0.4 million. In addition, reclassification amounted to approximately HK\$0.7 million was resulting from operating lease to finance lease arrangement with our leasing services customers.

For the six months ended 30 September 2014, the addition in property, plant and equipment amounted to approximately HK\$1.0 million, mainly consisted of additions in construction in progress amounted to approximately HK\$0.8 million. The depreciation for the period amounted to approximately HK\$1.1 million and disposals of property, plant and equipment amounted to approximately HK\$0.3 million. Reclassification amounted to approximately HK\$0.2 million was resulting from operating lease to finance lease arrangement with our leasing services customers.

### ***Intangible assets***

The intangible assets of our Group comprises patents right of "Tube-in-Tube" Fluorescent Lamp technology. Our intangible assets decreased from approximately HK\$1.3 million as at 31 March 2013 to approximately HK\$0.6 million as at 31 March 2014, primarily due to the amortisation of patents right of approximately HK\$0.7 million for the year.

As at 30 September 2014, intangible assets further decreased to approximately HK\$0.2 million, resulting from amortisation of patents right of approximately HK\$0.4 million during the six months ended 30 September 2014.

### ***Interests in associates***

Interests in associates comprise investment in SCM (BVI) and its subsidiaries during the Track Record Period.

As at 31 March 2013, the interests in associates amounted to approximately HK\$19.1 million resulting from the share of results with a loss of approximately HK\$4.4 million for the year ended 31 March 2013.

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As at 31 March 2014, the interests in associates amounted to approximately HK\$14.9 million resulting from the share of results with a loss of approximately HK\$4.2 million for the year ended 31 March 2014.

As at 30 September 2014, the interests in associates amounted to approximately HK\$12.9 million resulting from the share of results with a loss and other comprehensive income of approximately HK\$2.0 million for the six months ended 30 September 2014.

### ***Finance lease receivables***

Our finance lease receivables represent balance due from our customers whom we provide financial leasing service of lighting products in Hong Kong. The following table sets forth a breakdown of finance lease receivables as at the end of each reporting period.

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Present value of minimum lease payments			
Current assets	–	231	424
Non-current assets	–	<u>478</u>	<u>518</u>
	–	<u>709</u>	<u>942</u>
	=	<u>      </u>	<u>      </u>

For the year ended 31 March 2014 and the six months ended 30 September 2014, some of our new and existing leasing services customers were contracted in terms of finance lease at the new inception or renewal, which gave rise to the finance lease receivables.

### ***Inventories***

The inventories of our Group mainly comprise “Tube-in-Tube” Fluorescent Lamps and LEDs. Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition and is calculated using the weighted average method. Our inventories amounted to approximately HK\$0.4 million, HK\$0.4 million and HK\$0.3 million as at 31 March 2013 and 2014 and 30 September 2014 respectively.

We make assessment on provisions upon inventories on a case by case basis. During the Track Record Period, we did not make any provisions for inventory as we usually placed orders to our suppliers after we received orders from our customers and distributors.

The following table sets forth a breakdown of inventories of our Group as of the dates indicated:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Finished goods	<u>389</u>	<u>405</u>	<u>305</u>

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The following table sets out our Group's average inventory turnover days for the Track Record Period:

	Year ended 31 March		Six months ended 30 September
	2013	2014	2014
Average inventory turnover days (note)	8 =	7 =	5 =

Note: Average inventory turnover days for the years/period equals average of the beginning and ending balance of inventories for the years/period divided by material costs which attributable to our trading business and leasing services business for the years/period, multiplied by 365 days/183 days respectively. The average inventory turnover days is only applicable to our trading business and leasing services business, since our Consultancy Services business is not subject to inventory turnover.

Our inventory turnover days were relatively stable and were kept less than 10 days during the Track Record Period. We do not normally maintain inventory for trading purpose, as most of our clients are sizable corporate and overseas distributors who usually well schedule their needs for the lighting products and allow us to deliver our products to them in three to four weeks after confirmation of their orders. Our inventories are normally maintained at approximately HK\$0.3 million to approximately HK\$0.4 million which is considered by our Directors to be sufficient for use in our sales samples, replacement for our trading business and research and development testing samples. As such, our average turnover days and the subsequent utilisation ratio of our inventory may not indicate any overstocking, obsolescence, or deficiencies of our lighting products and/or in our trading business.

A substantial proportion of the increase in revenue from our trading business during the Track Record Period was from our overseas distributors and customers to whom we usually shipped the products directly from our suppliers upon receiving purchase orders from them. We acknowledged our customers and suppliers on the term of FOB, at which the risk and reward of the products were then transferred to customers. At that point we recognised revenue and cost of purchase, and thus no inventories were recorded at term of FOB. This arrangement minimised our inventory level and transportation costs because we generally placed orders to the suppliers once purchase orders were received from the overseas customers and the suppliers would then ship the products to the overseas customers after the available shipping arrangement had been scheduled. As our Group usually shipped the products directly from the suppliers to the trading customers and did not normally maintain inventory for trading purpose, the relatively low inventory level was therefore not in line with the increase in cost of material purchased resulting from the increase in the trading business over the Track Record Period.

As at the Latest Practicable Date, approximately 92.8% of our inventory balance as at 30 September 2014 has been utilised. Given that we expect our lighting products to remain fit for use as our sales samples, replacements for our trading business and research and development testing samples after months or even years of storage, our Directors consider that such unutilised inventory would not become obsolescent in near future.

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### *Trade receivables*

Our trade receivables represent the balance due from our distributors, our trading, Consultancy Services and leasing services customers, to which certain terms of credit are offered, in the ordinary course of business. The following table sets forth a breakdown of trade receivables by segment as at the end of each reporting period.

	As at 31 March				As at 30 September	
	2013		2014		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
– Trading of lighting products	15,056	34.1	31,713	45.4	30,693	52.0
– Consultancy Services	27,992	63.4	37,238	53.3	27,190	46.1
– Leasing services	1,091	2.5	946	1.3	1,094	1.9
Total	<u>44,139</u>	<u>100.0</u>	<u>69,897</u>	<u>100.0</u>	<u>58,977</u>	<u>100.0</u>

The following table sets out a breakdown of our trade receivables by geographical areas as at 31 March 2013, 31 March 2014 and 30 September 2014:

	As at 31 March				As at 30 September	
	2013		2014		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	29,247	66.3	38,245	54.7	28,307	48.0
Japan	9,605	21.7	18,294	26.2	18,127	30.7
Australia	1,593	3.6	4,481	6.4	10,085	17.1
Malaysia	2,861	6.5	5,859	8.4	–	–
Singapore	114	0.3	2,646	3.8	2,176	3.7
Other overseas regions	719	1.6	372	0.5	282	0.5
Total	<u>44,139</u>	<u>100.0</u>	<u>69,897</u>	<u>100.0</u>	<u>58,977</u>	<u>100.0</u>

Trade receivables has increased from approximately HK\$44.1 million as at 31 March 2013 to approximately HK\$69.9 million as at 31 March 2014, and decreased to approximately HK\$59.0 million as at 30 September 2014.

The trade receivables of trading of lighting products increased from approximately HK\$15.1 million as at 31 March 2013 to approximately HK\$31.7 million as at 31 March 2014 and decreased to approximately HK\$30.7 million as at 30 September 2014. The increase in trade receivables of our trading segment as at 31 March 2014 was mainly due to increased sales to our Japan and Singapore distributors. The trade receivables of our trading segment as at 31 March 2014 and 30 September 2014 were relatively stable. As at the Latest Practicable Date, approximately 90.6% and 90.2% of the trade receivables from these two distributors as at 31 March 2014 and 30 September 2014 respectively have been settled.

The relatively high trade receivables of Consultancy Services income of approximately HK\$28.0 million and HK\$37.2 million as at 31 March 2013 and 2014 was because majority of such Consultancy Services to Well Spread were incidentally provided in the second half of each of the financial year ended 31 March 2013 and 31 March 2014 and a relatively longer credit period was agreed under the CS Contract. Taking into account the facts that (i) our business relationship with Well Spread has been continuous and stable since we entered into the first CS Contract with Well Spread in 2010 and a new CS Contract of contract sum of HK\$9.5 million between our Group and Well Spread was entered into in

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December 2014; (ii) Well Spread has settled, though delayed, all the trade receivables of approximately HK\$37.2 million as at 31 March 2014 as at the Latest Practicable Date; and (iii) the continuing payment pattern and past settlement record of Well Spread, our Directors are of the view that the Group's trade receivables due from Well Spread can be recovered in a foreseeable future and no impairment is required to be provided for such receivables. Following the settlements made by Well Spread as mentioned, trade receivables of Consultancy Services income decreased to approximately HK\$27.2 million as at 30 September 2014.

The trade receivables of leasing services income decreased from approximately HK\$1.1 million as at 31 March 2013 to approximately HK\$0.9 million as at 31 March 2014, and increased to approximately HK\$1.1 million as at 30 September 2014. As our leasing services fees were normally settled every month, the outstanding balance of the related trade receivables was kept relatively stable at approximately HK\$1.0 million.

Based on the above and the current ageing analysis, our Directors believe that no impairment allowance is necessary in respect of the trade receivables as at 31 March 2013, 31 March 2014 and 30 September 2014.

The following table sets out the ageing analysis of the trade receivables as at 31 March 2013 and 2014 and 30 September 2014 against the invoices dates respectively.

	As at 31 March		As at
	2013	2014	30 September 2014
	HK\$'000	HK\$'000	HK\$'000
0-30 days	15,152	25,040	17,608
31-90 days	5,461	906	7,721
91-180 days	17,533	9,587	7,771
Over 180 days	5,993	34,364	25,877
	<u>44,139</u>	<u>69,897</u>	<u>58,977</u>

In general, our Group grants credit period of cash on delivery to 180 days to our customers. Our Consultancy Services customers are entitled to a maximum credit term of up to 180 days. We have granted our distributors credit terms ranging from cash on delivery to 90 days based on our assessment of their targeted performance, creditworthiness and history of cooperation. Depending on the circumstances and the profile of their end customers, we may assist our distributors to develop new customers in their respective markets by extending the settlement deadline beyond the credit period we offered to such distributors and as such, during the Track Record Period, certain of our distributors delayed the settlement and did not settle their trade receivables with our Group in accordance with our credit policy set out above. We typically require new distributors of our products to pay deposits in the range of 30%-50% at the time of placing purchase order. Our direct sales customers are entitled to a maximum credit term of up to 90 days.

As at the Latest Practicable Date, all of the trade receivables as at 31 March 2013 have been paid.



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As at the Latest Practicable Date, all of the trade receivables as at 31 March 2014 have become due and payable, and approximately HK\$67.9 million, representing approximately 97.2% of the total trade receivables as at 31 March 2014 has been paid. Increase in trade receivables with ageing over 180 days as at 31 March 2014 was mainly due to delayed payments by some major customers during the year ended 31 March 2014.

As at the Latest Practicable Date, all of the trade receivables as at 30 September 2014 have become due and payable, and approximately HK\$57.0 million, representing approximately 96.6% of the total receivables as at 30 September 2014, has been paid.

The following table sets out our Group's average trade receivables turnover days for the Track Record Period:

	Year ended 31 March		Six months ended 30 September
	2013	2014	2014
Average trade receivables turnover days (Note)	<u>200</u>	<u>260</u>	<u>312</u>

Note: Average trade receivables turnover days for the years/period equals the average of the opening and closing balance of trade receivables for the years/period divided by total revenue for the years/period, multiplied by 365 days/183 days respectively.

Trade receivables turnover days increased from approximately 200 days for the year ended 31 March 2013 to approximately 260 days for the year ended 31 March 2014, and increased to approximately 312 days for the six months ended 30 September 2014.

The increase in trade receivable turnover days for the year ended 31 March 2014 was mainly due to (i) majority of our Consultancy Services were rendered in the second half of the year; (ii) delayed settlements from our customers; and (iii) increase in trade receivables as a result of increased sales to our Japan and Singapore distributors on credit, which was partially offset by the increase in the proportion of revenue contribution from our trading business to our total revenue, which has a shorter credit period than that of our Consultancy Services business, from approximately 38.4% for the year ended 31 March 2013 to approximately 52.7% for the year ended 31 March 2014. The increase in trade receivables turnover days for the six months ended 30 September 2014 was mainly due to (i) all of our Consultancy Services were rendered in September 2014; (ii) delayed settlements from our customers; and (iii) the relatively high opening balance of the trade receivables of approximately HK\$69.9 million as at 31 March 2014. Such increase was partially offset by the increase in the proportion of revenue contribution from our trading business to our total revenue, which has a shorter credit period than that of our Consultancy Services business, from approximately 53.6% for the six months ended 30 September 2013 to approximately 61.2% for the six months ended 30 September 2014.

The delayed settlements, which mainly involved those trade receivables past due over three months, were generally request made to our Group from our customers for longer settlement period due to their intensive capital investment for developing their respective markets and they mainly involved our trading customers and Consultancy Services customers.

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For the year ended 31 March 2014, the delayed settlements were primarily attributable to amounts due to our Japan, Malaysia and Australia distributors of approximately HK\$9.8 million, HK\$5.9 million and HK\$4.5 million respectively and our Consultancy Services customer (namely, Well Spread) of approximately HK\$9.4 million. As at the Latest Practicable Date, such delayed settlement of approximately HK\$29.6 million as at 31 March 2014 has been fully settled. For the six months ended 30 September 2014, the delayed settlements were primarily attributable to amounts due to our Japan distributor of approximately HK\$10.8 million, Australia distributor of approximately HK\$3.5 million and Singapore distributor of approximately HK\$2.2 million. As at the Latest Practicable Date, out of such delayed settlement of approximately HK\$16.5 million as at 30 September 2014, approximately HK\$14.5 million (representing approximately 87.9% of such delayed settlement) has been fully settled.

In particular, during the year ended 31 March 2013, we appointed two new distributors, namely our Japan distributor and Australia distributor, and later extended the settlement deadline beyond the credit periods granted to these two distributors, which were in the course of developing new customers, with a view to assisting them in establishing their customer bases for our lighting products in their respective markets. As at 31 March 2013, 31 March 2014 and 30 September 2014, the trade receivables past due over three months from our Japan distributor were approximately HK\$31,000, HK\$9.8 million and HK\$10.8 million respectively, and those from our Australia distributor were nil, approximately HK\$4.5 million and HK\$3.5 million respectively. As at the Latest Practicable Date, all such trade receivables past due over three months from our Japan distributor and Australia distributor have been fully settled. For the two distributors newly appointed during the year ended 31 March 2014, revenue contributed by them and hence, trade receivables due from them during the Track Record Period was limited.

The trade receivable turnover days would remain relatively the same at around 200 days if the above delayed settlements were excluded for the year ended 31 March 2014 and the six months ended 30 September 2014 respectively, and would be comparable to the trade receivable turnover days of approximately 200 days for the year ended 31 March 2013.

During the Track Record Period, our trade receivable turnover days exceeded our Group's maximum credit period of 180 days primarily due to (i) that majority of our Consultancy Services were rendered in the second half of each of the year ended 31 March 2013 and 2014 and in September 2014; (ii) the long credit period offered to our Consultancy Services customers of up to 180 days; and (iii) delayed settlements from our customers.

Our Group has taken certain steps to monitor the trade receivables and assess their recoverability which include periodical visit to our distributors and Consultancy Services customers, meeting with their management, physical site visit and meeting their end customers, review and discuss their sales pipelines and also review their settlement trends and records to our Group.

Our Directors are of the view that no provision has to be made for the trade receivables as at 31 March 2013, 31 March 2014 and 30 September 2014 after performed all the above steps in assessing the recoverability of the trade receivables.

Our Directors assess the collectibility of our trade receivables on a regular basis to determine if any provision for impairment is necessary. The assessment is based on, where appropriate, the evaluation of collectibility and ageing analysis of the trade receivables and our Directors' judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of our Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Our Directors reassess the provision for impairment at each reporting date. During the Track Record Period, no legal actions were taken by our Group for the collection of trade receivables.

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With respect to the increase in trade receivables turnover days during the Track Record Period, our Group will implement the following measures to mitigate the adverse impact of such in the future:

- designated staff of the marketing and sales department to follow up with and collect trade receivables and enhanced communications with customers with large trade receivables by regular phone calls to expedite payment no longer than the given credit period;
- issue overdue payment warnings to customers with overdue trade receivables; and
- periodic review of credit policy.

Taking into account (i) our due diligence on and/or interviews with the major end customers of our distributors and Consultancy Services customers regarding their credibility, business operation and prospects; (ii) the improving settlement pattern of our distributors and Consultancy Services customers in respect of both the amounts and timing of settlement for the four months ended 31 January 2015; and (iii) the expected reducing reliance on our Group's extension of the settlement deadline beyond the credit periods granted to our Japan distributor and Australia distributor as they are gradually establishing their customer bases in their respective markets, our Directors expect that, going forward, our trade receivables turnover days will decrease.

During each of the two years ended 31 March 2013 and 2014, we have bad debts amounting to approximately HK\$19,000 and HK\$0.2 million and had charged to the profit and loss account accordingly. There were no written-off of trade receivables for the six months ended 30 September 2014.

### ***Deposits, prepayments and other receivables***

Deposits, prepayments and other receivables amounted to approximately HK\$3.4 million and HK\$4.0 million as at 31 March 2013 and 2014 respectively. The increase in deposits, prepayments and other receivables as at 31 March 2014 was mainly due to the increase in other receivables. Other receivables increased from approximately HK\$1.0 million as at 31 March 2013 to approximately HK\$1.5 million as at 31 March 2014, primarily due to the amount due from China Jingan.

The amount of deposits, prepayments and other receivables increased to approximately HK\$7.5 million as at 30 September 2014. The increase in deposits, prepayments and other receivables as at 30 September 2014 was mainly due to increase in prepaid professional expenses in relation to the Listing and increase in deposits paid to suppliers.

### ***Due from associates***

As at 31 March 2013 and 2014 and 30 September 2014, the amount due from SCM (BVI) and its subsidiaries to our Group amounted to approximately HK\$1.1 million, HK\$3.7 million and HK\$1.9 million respectively. The amount represented monthly service fee charged to SCM (HK) for accounting, marketing, general administration, and human resource supporting services. As at the Latest Practicable Date, approximately HK\$3.7 million and HK\$1.6 million of the amounts due from associates as at 31 March 2014 and 30 September 2014 has been settled respectively.

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### *Trade payables*

Trade payables represented the amounts due to suppliers of materials and consumables. The following table sets out the ageing analysis of the trade payables as at as at 31 March 2013 and 2014 and at 30 September 2014.

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
0-30 days	2,065	3,065	3,830
31-90 days	2,050	32	3,823
91-180 days	739	2,733	3,839
Over 180 days	5	7	2,773
	4,859	5,837	14,265

Our Group normally settles trade payables within a credit period ranging from 0 to 30 days. The trade payables are short term and hence their carrying values are considered by our Directors to be a reasonable approximation of their fair value. As at 31 March 2013 and 2014 and 30 September 2014, the trade payables amounted to approximately HK\$4.9 million, HK\$5.8 million and HK\$14.3 million respectively.

The following table sets out our Group's average trade payables turnover days for the Track Record Period:

	Year ended 31 March		Six months ended 30 September
	2013	2014	2014
Average trade payables turnover days (Note)	65	88	144

Note: Average trade payables turnover days for years/period equals the average of the opening and closing balance of trade payables for the years/period divided by the material costs which were attributable to our trading business and leasing business for the years/period, multiplied by 365 days/183 days. The average trade payables turnover days is only applicable to our trading business and leasing services business, since our Consultancy Services business is not subject to trade payables.

During the Track Record Period, our Group made purchase with various manners, operating on cash on delivery, payment in advance terms or granted with credit term of 30 days by our Group's suppliers. Trade payables' turnover days increased from approximately 65 days for the year ended 31 March 2013 to approximately 88 days for the year ended 31 March 2014 and increased to approximately 144 days for the six months ended 30 September 2014. The increase in turnover days to 88 days for the year ended 31 March 2014 was mainly due to (i) purchase of materials of approximately HK\$3.1 million made in March 2014 not yet settled and (ii) delayed settlement. The turnover days further increased to approximately 144 days for the six months ended 30 September 2014 was primarily due to (i) purchase of materials of approximately HK\$3.8 million made in September 2014 not yet settled and (ii) delayed settlement.

As at the Latest Practicable Date, approximately 99.9% and 99.8% of trade payables as at 31 March 2014 and 30 September 2014 respectively were settled.

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### ***Accruals, other payables and deposits received***

Our accruals, other payables and deposits received amounted to approximately HK\$5.6 million, HK\$8.9 million and HK\$13.1 million as at 31 March 2013 and 2014 and 30 September 2014 respectively.

Accruals include mainly salaries and commissions, salary related expenses and other general expenses. Accruals increased from approximately HK\$0.7 million as at 31 March 2013 to approximately HK\$3.0 million as at 31 March 2014, which was primarily due to the increase in provision for listing expenses of approximately HK\$2.2 million. Accruals further increased to approximately HK\$3.5 million as at 30 September 2014, primarily due to increase in provision for listing expenses of approximately HK\$0.5 million. As at the Latest Practicable Date, approximately HK\$0.5 million and HK\$0.5 million of the accruals as at 31 March 2014 and 30 September 2014 respectively were subsequently settled.

Other payables of our Group comprise payables for lighting systems for leasing purpose, installation fee, warranty provisions and other general expenses which amounted to approximately HK\$2.8 million, HK\$4.2 million and HK\$5.4 million as at 31 March 2013 and 2014 and 30 September 2014 respectively. The increase in other payables was mainly due to increase in listing expenses payables, tax surcharge and warranty provision which resulted from increase in our trading business during the year ended 31 March 2014. For the six months ended 30 September 2014, the increase was mainly due to increase in listing expenses payables and warranty provisions. As at the Latest Practicable Date, approximately HK\$2.1 million and HK\$3.3 million of the other payables as at 31 March 2014 and 30 September 2014 respectively were subsequently settled.

The deposits received refer to funds advanced by the customers, including both current and non-current portion. It amounted to approximately HK\$2.1 million, HK\$1.7 million and HK\$4.1 million as at 31 March 2013 and 2014 and 30 September 2014. The deposits received were mainly due to advances from various customers for our trading of lighting products and leasing services. The deposits received as at 31 March 2013 amounted to approximately HK\$2.1 million, in which approximately HK\$1.6 million were related to deposits received from various customers for our leasing services and the remaining HK\$0.5 million were related to deposits received from our overseas distributors and other trading customers. The deposits received decreased to approximately HK\$1.7 million as at 31 March 2014 in which approximately HK\$1.2 million were deposits received from various customers for our leasing services and approximately HK\$0.5 million were related to deposits received from our overseas distributors and other trading customers. Deposits received increased to approximately HK\$4.1 million as at 30 September 2014 in which approximately HK\$2.8 million were related to deposits received from our overseas distributors and other trading customers, and approximately HK\$1.3 million were deposits received from various customers for our leasing services. As at the Latest Practicable Date, approximately HK\$0.7 million and HK\$2.8 million of the deposits received as at 31 March 2014 and 30 September 2014 respectively were subsequently utilised.

### ***Dividends payable***

During each of the two years ended 31 March 2013 and 2014, our Group declared special interim dividends of approximately HK\$25.0 million and HK\$40.0 million respectively. The special interim dividends of approximately HK\$25.0 million for the year ended 31 March 2013 was fully settled during the year, thus, no outstanding dividends payable as at 31 March 2013. For the special interim dividends of approximately HK\$40.0 million for the year ended 31 March 2014, approximately HK\$37.0 million was subsequently settled during the six months ended 30 September 2014, thus, the dividends payable as at 31 March 2014 and 30 September 2014 was approximately HK\$40.0 million and HK\$3.0 million respectively. As at the Latest Practicable Date, the dividends payable of approximately HK\$3.0 million as at 30 September 2014 was fully settled.

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### ***Borrowings***

Our borrowings included an unsecured bank loan, secured import loans and a loan from an Independent Third Party.

As at 31 March 2013 and 2014 and 30 September 2014, the unsecured bank loan was amounted to approximately HK\$0.4 million, HK\$0.2 million and HK\$42,000 respectively. The bank loan of HK\$1.0 million was interest bearing and was drawn down from the loan facilities granted by a Hong Kong licenced bank. The interest rate in respect of such loan was at a 5.25% per annum. The bank loan was jointly and severally guaranteed with subordination amount of HK\$7.5 million by Mr. Alastair Lam and Mr. Arthur Lam. As at the Latest Practicable Date, such bank loan was fully repaid and the personal guarantee was released.

As at 31 March 2013 and 2014 and 30 September 2014, the import loans were amounted to approximately HK\$4.6 million, nil and nil respectively. During the year ended 31 March 2013, our Group obtained another banking facilities (the “**SME Banking Facilities**”) of HK\$8.0 million from a bank which is under the SME Financing Guarantee Scheme operated by The Hong Kong Mortgage Corporation Limited (the “**HKMC**”). The effective interest rate in respect of such banking facilities was at a 6.25% per annum. The banking facilities was guaranteed by HKMC for an amount of HK\$6.4 million (the “**HKMC Guarantee**”), together with personal guarantee executed by Mr. Alastair Lam, Mr. Arthur Lam and Mr. Mansfield Wong; charge over all receivables of SLL and a deed of subordination of HK\$2.6 million executed by SLL and Synergy Worldwide. As at 31 March 2013, the banking facilities of approximately HK\$4.6 million had been utilised and approximately HK\$3.4 million were unutilised. Taking into account the level of our working capital and the working capital requirements for our business operations at the relevant time, we considered that capital from bank facilities was not necessary for our Group. Accordingly, we applied for cancellation of the SME Banking Facilities following the repayment of the outstanding balance owed by us thereunder. The SME Banking Facilities and the HKMC Guarantee were thus cancelled with effect from 18 November 2013 and the deed of charge over receivables of SLL was released in July 2014. As a result, the personal guarantees given by Mr. Alastair Lam, Mr. Arthur Lam and Mr. Mansfield Wong in respect of such banking facilities were released and, there were no unutilised banking facilities as at 31 March 2014 and 30 September 2014. For the same reasons as set out above, when we were applying for the cancellation of the SME Banking Facilities, our Group did not accept another proposed banking facilities offered by the same bank for a higher facility limit at a lower effective interest rate of 5.00% per annum.

As at 30 September 2014, our Group obtained a loan from an Independent Third Party amounting to approximately HK\$0.5 million during the six months ended 30 September 2014 with effective interest rate of approximately 3.45% per annum.

Our Directors confirm that during the Track Record Period, we have never been rejected by any financial institutions in respect of the banking facilities that our Group applied for.

### ***Finance lease obligations***

Our Group leases a photocopier machine for use in office. This asset is classified under as asset held under finance lease as the rental period approximates the estimated useful economic life of the asset concerned and our Group has the right to purchase the asset outright at the end of the minimum lease term by paying nominal amount. As at 31 March 2013, the outstanding amount of the finance lease creditor amounted to approximately HK\$7,000, which was fully settled during the year ended 31 March 2014.

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### ***Due to a related company***

The amount due to a related company comprises only amount due to Mpplication, a company which is wholly owned by our Director, Mr. Mansfield Wong, for its computer software consultancy services, which was approximately HK\$0.7 million, HK\$53,000 and HK\$0.2 million as at 31 March 2013 and 2014 and 30 September 2014 respectively. For details of the arrangements between Mpplication and our Group, please refer to the section headed “Connected transactions” in this prospectus.

### ***Due to directors***

The amounts due to directors were approximately HK\$4.8 million as at 31 March 2013 which was subsequently settled during the year ended 31 March 2014. Thus, no outstanding amount due to directors as at 31 March 2014 and 30 September 2014 respectively. The amounts due to directors are unsecured, non-interest bearing and are repayable on demand.

### ***Provision for taxation***

The provision for taxation as at 31 March 2013 and 2014 and 30 September 2014 were approximately HK\$13.2 million, HK\$13.8 million and HK\$11.5 million respectively. The amounts were calculated by the assessable profit earned by our major subsidiary, SLL. The provision for taxation amounting to approximately HK\$6.8 million and HK\$5.5 million was paid during the year ended 31 March 2014 and the six months ended 30 September 2014 respectively.

### ***Deferred tax liabilities***

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. Deferred tax liabilities are recognised to the extent that it is probable that the amounts of income taxes payable in future periods in respect of taxable temporary differences.

For the six months ended 30 September 2014, deferred tax liabilities amounted to approximately HK\$0.3 million were recognised due to temporary differences of property, plant and equipment.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The following table summarises our Group’s cash flows during the Track Record Period:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Net cash generated from operating activities	30,296	6,823	8,052	35,725
Net cash used in investing activities	(3,746)	(1,119)	(789)	(1,031)
Net cash used in financing activities	(20,705)	(9,815)	(7,392)	(36,687)
Net increase/(decrease) in cash and cash equivalents	5,845	(4,111)	(129)	(1,993)
Cash and cash equivalents at the beginning of the year/period	<u>1,468</u>	<u>7,313</u>	<u>7,313</u>	<u>3,202</u>
<b>Cash and cash equivalents at the end of the year/period</b>	<u><u>7,313</u></u>	<u><u>3,202</u></u>	<u><u>7,184</u></u>	<u><u>1,209</u></u>

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Our Group generally finances its operations through fund raising from shareholders, internally generated cash flows and borrowings. There was no other material external financing for our Group during the Track Record Period. During the Track Record Period, our Group had raised approximately HK\$16.2 million through borrowings. As at 30 September 2014, the Group has outstanding borrowings amounted to approximately HK\$0.5 million.

Our Directors confirmed that there was no material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of the finance covenants during the Track Record Period.

### ***Operating activities***

During the Track Record Period, our net cash generated from operating activities was primarily through receipt of income from trading of our lighting products, Consultancy Services income and leasing services income. Our cash outflows in operating activities were primarily for inventory purchases, staff costs and administrative expenses. Our net cash generated from operating activities reflects our profit for the year, as adjusted for non-cash items such as depreciation, amortisation, and the effects of changes in working capital such as increase or decrease in trade receivables, deposits, prepayments and other receivables, inventories, trade payables and accruals, other payables and deposits received.

For the year ended 31 March 2013, net cash generated from operating activities was approximately HK\$30.3 million. The net cash inflow was primarily contributed by (i) operating profit before change in working capital of approximately HK\$36.9 million and (ii) increase in trade payables of approximately HK\$4.7 million, which was partially offset by (i) increase in trade receivables of approximately HK\$10.6 million and (ii) decrease in accruals, other payables and deposits received of approximately HK\$0.7 million.

For the year ended 31 March 2014, net cash generated from operating activities was approximately HK\$6.8 million. The net cash inflow was primarily contributed by operating profit before change in working capital of approximately HK\$39.6 million, which was partly offset by (i) increase in trade receivables of approximately HK\$26.0 million and (ii) income tax paid of approximately HK\$6.8 million.

For the six months ended 30 September 2013, net cash generated from operating activities was approximately HK\$8.1 million. The net cash inflow was primarily contributed by (i) operating profit before change in working capital of approximately HK\$18.6 million and (ii) increase in accruals, other payables and deposits received of approximately HK\$2.8 million, which were partially offset by (i) increase in trade receivables of approximately HK\$2.9 million, (ii) decrease in trade payables of approximately HK\$1.6 million, (iii) increase in deposits, prepayments and other receivables of approximately HK\$1.3 million, (iv) decrease in amount due to a related company of approximately HK\$0.6 million, (v) increase in amounts due from associates of approximately HK\$0.6 million and (vi) income tax paid of approximately HK\$6.3 million.

For the six months ended 30 September 2014, net cash generated from operating activities was approximately HK\$35.7 million. The net cash inflow was primarily contributed by (i) operating profit before change in working capital of approximately HK\$19.3 million, (ii) decrease in trade receivables of approximately HK\$10.9 million, (iii) increase in trade payables of approximately HK\$8.4 million, (iv) increase in accruals, other payables and deposits received of approximately HK\$4.0 million, (v) increase in balances with associates of approximately HK\$1.8 million, (vi) increase in amount due to a related company of approximately HK\$0.2 million, which were partly offset by (i) increase in deposits, payments and other receivables of approximately HK\$3.4 million and (ii) income tax paid of approximately HK\$5.5 million.



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### ***Investing activities***

Net cash used in investing activities was approximately HK\$3.7 million for the year ended 31 March 2013, which was solely attributable to purchases of property, plant and equipment for our leasing services.

Net cash used in investing activities was approximately HK\$1.1 million for the year ended 31 March 2014, primarily attributable to purchases of property, plant and equipment of approximately HK\$1.1 million.

Net cash used in investing activities was approximately HK\$0.8 million for the six months ended 30 September 2013, which was solely attributable to purchase of property, plant and equipment for our leasing services.

Net cash used in investing activities was approximately HK\$1.0 million for the six months ended 30 September 2014, which was solely attributable to purchase of property, plant and equipment for our leasing services.

### ***Financing activities***

Net cash used in financing activities was approximately HK\$20.7 million for the year ended 31 March 2013 which was primarily attribute to (i) dividends paid of approximately HK\$25.0 million, (ii) interest paid on borrowings of approximately HK\$0.1 million and (iii) partially offset by net borrowings of approximately HK\$4.4 million.

Net cash used in from financing activities was approximately HK\$9.8 million for the year ended 31 March 2014 which was primarily attributable to (i) settlement of amounts due to directors of approximately HK\$4.8 million, (ii) net repayment of borrowings of approximately HK\$4.9 million and (iii) interest paid on borrowings of approximately HK\$0.1 million.

Net cash used in financing activities was approximately HK\$7.4 million for the six months ended 30 September 2013 which was primarily attribute to (i) decrease in amounts due to directors of approximately HK\$4.8 million and (ii) net repayment of borrowings of approximately HK\$2.6 million.

Net cash used in financing activities was approximately HK\$36.7 million for the six months ended 30 September 2014, which was primarily attributable to dividends paid of approximately HK\$37.0 million and partially offset by net borrowings of approximately HK\$0.3 million.

### ***Capital structure***

As at 30 September 2014, the Group had net assets of approximately HK\$46.9 million, comprising non-current assets of approximately HK\$19.6 million (mainly comprising property, plant and equipment, intangible assets and interests in associates), net current assets of approximately HK\$28.3 million and non-current liabilities of approximately HK\$1.0 million.

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### **Net current asset**

Details of our Group's current assets and current liabilities during the Track Record Period and as at 31 January 2015 are as follows:

	As at 31 March		As at 30 September	As at 31 January
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
<b>Current assets</b>				
Inventories	389	405	305	187
Trade receivables	44,139	69,897	58,977	45,207
Finance lease receivables	–	231	424	511
Deposits, prepayments and other receivables	3,017	4,045	7,316	5,550
Due from associates	1,117	3,711	1,903	1,835
Cash and cash equivalents	7,313	3,202	1,209	9,882
	<u>55,975</u>	<u>81,491</u>	<u>70,134</u>	<u>63,172</u>
	As at 31 March		As at 30 September	As at 31 January
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
<b>Current liabilities</b>				
Trade payables	4,859	5,837	14,265	2,468
Accruals, other payables and deposits received	4,547	8,335	12,708	13,608
Dividends payable	–	40,016	2,972	–
Borrowings	5,038	167	143	121
Finance lease obligations	7	–	–	–
Due to a related company	732	53	221	219
Due to directors	4,775	–	–	–
Provision for taxation	13,151	13,801	11,472	7,649
	<u>33,109</u>	<u>68,209</u>	<u>41,781</u>	<u>24,065</u>
<b>Net current assets</b>	<u>22,866</u>	<u>13,282</u>	<u>28,353</u>	<u>39,107</u>

As at 31 March 2013, 31 March 2014, 30 September 2014 and 31 January 2015, our Group recorded a net current assets position of approximately HK\$22.9 million, HK\$13.3 million, HK\$28.4 million and HK\$39.1 million respectively. Our Directors are satisfied that we will have sufficient financial resources to meet our financial obligations as they fall due for the foreseeable future after taking into account of funds generated from our operations.

### **Working capital management policy**

Our Group's primary objectives when managing working capital are to safeguard our Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal working capital to reduce the cost of capital.

## FINANCIAL INFORMATION

Our Group actively and regularly reviews and manages our working capital structure to maintain a healthy balance between liquidity and profitability. In order to maintain or adjust the optimal working capital, our Group may, among others, adjust the amount of dividends payable to shareholders, acquire new bank loans, issue new shares so as to fulfill payment obligations and others commitments.

Our Group monitors our working capital structure on the basis of the adjusted net debt to equity ratio. This ratio is calculated as our Group's borrowings less cash and cash equivalents over its equity.

### TREASURY POLICY

The treasury policy of our Group is to

- i) utilise the available cash and cash equivalents to keep our Group in a liquid position so as to meet any upcoming funding needs and liquidity requirement of our Group. As such, our Group will continuously monitor its actual cashflows to settle upcoming commitment.
- ii) invest in marketable debt and equity securities and/or bank term deposits to earn additional yield whenever surplus cash are available.
- iii) payment of dividend depend on, among others, our Group's results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, the Articles, the Companies Law, applicable laws and regulations and other factors, that our Directors deem relevant.
- iv) subject to our Group's available financial resources, to seek for business opportunity to invest in companies which are related to our Group's business subject to the Board's approval particularly for those which could create additional value to the existing business of our Group and its shareholders.

The Directors would first engage in feasibility studies and industry analysis in which the target would be operating in and perform cashflow projection for the new business and determine whether such business will bring additional values to our Group. Our Group will then look for method of financing in a way to reduce the overall interest expenses for its investment whether by internal resources, or by a combination of external resources such as, borrowings, debt financing and equity financing.

### SELECTED KEY FINANCIAL RATIOS

	Year ended 31 March		Six months ended 30 September
	2013	2014	2014
Return on equity (Note 1)	42.8%	67.1%	25.2%
Return on assets (Note 2)	25.7%	22.7%	13.2%
Current ratio (Note 3)	1.7	1.2	1.7
Quick ratio (Note 4)	1.7	1.2	1.7
Gearing ratio (Note 5)	9.8%	0.5%	1.1%
Debt to equity ratio (Note 6)	N/A	N/A	N/A
Interest coverage ratio (Note 7)	220	192	5,110

Notes:

1. Return on equity equals to net profit for the year/period divided by shareholders' equity at the end of the respective year/period and multiplied by 100%.
2. Return on assets equals to net profit for the year/period divided by total assets at the end of the respective year/period and multiplied by 100%.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year/period.

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## FINANCIAL INFORMATION

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4. Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities as at the end of the respective year/period.
5. Gearing ratio equals total debts divided by the total equity as at the end of the respective year/period and multiplied by 100%.
6. Debt to equity ratio equals net debts divided by the total equity as at the end of the respective year/period and multiplied by 100%. Net debts are defined to include all borrowings net of cash and cash equivalents.
7. Interest coverage equals the profit before interest and tax divided by the interest expenses for the respective year/period.

### **Return on equity**

Return on equity increased from approximately 42.8% for the year ended 31 March 2013 to approximately 67.1% for the year ended 31 March 2014. The significant increase in return on equity for the year ended 31 March 2014 was primarily due to increase in earnings for the year as well as the declaration of a special interim dividend of approximately HK\$40.0 million in which reduced the amount of the equity as at 31 March 2014. The return on equity decreased to approximately 25.2% for the six months ended 30 September 2014, mainly because only six months' profit was recorded.

### **Return on assets**

Return on assets decreased from approximately 25.7% for the year ended 31 March 2013 to approximately 22.7% for the year ended 31 March 2014. With the increase in total assets, which was primarily contributed by the increase in trade receivables, outweighed the increase in profit for the year ended 31 March 2014, the return on assets for the year ended 31 March 2014 decreased accordingly. Return on assets decreased to approximately 13.2% for the six months ended 30 September 2014. This was mainly because only six months' profit was recorded resulting in a lower return on assets for the six months ended 30 September 2014.

### **Current ratio and quick ratio**

The current ratio decreased from approximately 1.7 as at 31 March 2013 to approximately 1.2 as at 31 March 2014. The quick ratio decreased from approximately 1.7 as at 31 March 2013 to approximately 1.2 as at 31 March 2014. The decrease was attributable to the increase in current liabilities, which was mainly due to increase in dividends payable of approximately HK\$40.0 million. As at 30 September 2014, the current ratio and quick ratio of our Group were approximately 1.7 and 1.7 respectively. The increase was primarily due to the decrease in current liabilities, which was mainly attributable to the dividend paid of approximately HK\$37.0 million, outweighed the decrease in current assets, which was primarily attributable to the decrease in trade receivables. Our Directors believe that our Group's current ratio and quick ratio are healthy.

### **Gearing ratio and debt to equity ratio**

The gearing ratio, which is based on the amount of total debts (comprising total borrowings and finance lease obligations) divided by total equity, was approximately 9.8%, 0.5% and 1.1% as at 31 March 2013 and 2014 and 30 September 2014 respectively. The decrease in gearing ratio for as at 31 March 2014 was mainly due to the repayment of a substantial portion of borrowings. The gearing ratio increased from 0.5% as at 31 March 2014 to 1.1% as at 30 September 2014. The increase was primarily due to the new borrowings of approximately HK\$0.5 million obtained during the six months ended 30 September 2014. The debt to equity ratio was calculated by dividing the amount of net debts by total equity. As our Group's cash and cash equivalents was larger than our debt amount and thus our Group was at a net cash position as at 31 March 2013 and 2014 and at 30 September 2014, debt to equity ratio is not applicable to our Group accordingly.

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## FINANCIAL INFORMATION

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### ***Interest coverage ratio***

The interest coverage ratio, which is based on the amount of profit before interest and tax divided by the interest expense, was approximately 220 times, 192 times and 5,110 times for the years ended 31 March 2013 and 2014 and the six months ended 30 September 2014 respectively. The rate of increase in interest expense outweighed the rate of increase in profit before interest and tax for the year ended 31 March 2014 which resulted in the decrease in interest coverage ratio for the year ended 31 March 2014. Our interest coverage ratio increased significantly to approximately 5,110 times for the six months ended 30 September 2014 following the cancellation of the SME Banking Facilities the HK\$8.0 million in November 2013.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT**

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments and arrangements.

### **LISTING EXPENSES INCURRED**

The total estimated listing expenses in connection with the Placing will be approximately HK\$39.8 million. Of this amount, approximately HK\$36.3 million will be borne by our Group and approximately HK\$3.5 million will be borne by the Selling Shareholders. Up to 30 September 2014, we have incurred listing expenses of approximately HK\$14.4 million.

It is estimated that approximately HK\$14.4 million will be charged to the profit or loss of our Group for the six months ending 31 March 2015 and approximately HK\$7.5 million will be charged to the equity of our Group for the year ending 31 March 2015. This calculation is based on a Placing Price of HK\$0.60 per Share (being the mid-point of our indicative Placing Price range of HK\$0.50 to HK\$0.70 per Share) and the assumption that 85,000,000 Shares expected to be issued under Placing and 500,000,000 Shares are issued and outstanding immediately following the Placing and is subject to reallocation based on the actual expenses incurred or to be incurred.

Our Group anticipates that the listing expenses in the sum of approximately HK\$15.9 million will be charged to the profit or loss of our Group for the year ending 31 March 2015. The said amount represents approximately 51.3% of the net profit before tax of our Group for the year ended 31 March 2014. In light of the aforesaid, our results of operation for the year ending 31 March 2015 is expected to be, to certain extent, adversely affected by the non-recurring listing expenses.

### **INDEBTEDNESS**

At the close of business on 31 January 2015, being the latest practicable date in relation to this indebtedness statement prior to the printing of this prospectus, our Group had outstanding borrowings of approximately HK\$0.5 million due to an Independent Third Party.

In October 2010, our Group obtained a term loan of HK\$1.0 million which had been fully drawn down with outstanding balance approximately HK\$42,000 as at 30 September 2014. In September 2012, our Group obtained the SME Banking Facilities of HK\$8.0 million which were cancelled with effective from 18 November 2013. In August 2014, our Group obtained a loan of approximately HK\$0.5 million from an Independent Third Party.

Our Directors confirmed that our Group had no material defaults and breaches of finance covenants during the Track Record Period.

## FINANCIAL INFORMATION

### Bank loan

The following table sets forth the bank loan as of the dates indicated:

	As at 31 March		As at 30 September	As at 31 January
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Unsecured bank loan, guaranteed	417	167	42	–

The banking loan was jointly and severally secured by personal guarantee by each of Mr. Alastair Lam and Mr. Arthur Lam with subordination amount of HK\$7.5 million. The effective interest rate during the Track Record Period was 5.25%. The personal guarantee was released following the full repayment of the bank loan in November 2014.

### Import loans

	As at 31 March		As at 30 September	As at 31 January
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Secured import loans, guaranteed	4,621	–	–	–

In September 2012, our Group obtained a revolving bank credit facilities of HK\$8.0 million. The banking facilities were secured by (i) guarantee issued by the HKMC for an amount equivalent to 80% of the amounts to be granted by the bank to our Group; (ii) personal guarantee by each of Mr. Alastair Lam, Mr. Arthur Lam and Mr. Mansfield Wong; (iii) deed of charge over receivables (including bank balances) duly executed by our wholly-owned subsidiary; and (iv) deed of subordination of HK\$2.6 million duly executed by our wholly-owned subsidiaries. The effective interest rate during the Track Record Period was 5.25%. The banking facilities have been cancelled with effect from 18 November 2013. The personal guarantee was released following such cancellation. Further details regarding such banking facilities are set out in the paragraph headed “Borrowings” in this section.

### Other borrowings

	As at 31 March		As at 30 September	As at 31 January
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Other borrowings	–	–	485	465

During the six months ended 30 September 2014, our Group obtained a loan from an Independent Third Party amounting to approximately HK\$0.5 million with effective interest rate of approximately 3.45% per annum.

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## FINANCIAL INFORMATION

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### Pledge of assets

As at the Latest Practicable Date, our Group did not have any pledge of assets.

### Contingent liabilities

Our Group has contingent liabilities in respect of failure to notify chargeability to tax of a Hong Kong subsidiary for the year of assessment of 2010/2011 to the IRD. Under Section 82A of the IRO, the maximum penalty as a result of the failure to notify chargeability would be treble the amount of tax undercharged of the year of assessment concerned.

In April 2013, our Group has received tax assessment for 2009/2010 and 2010/2011 issued from IRD (“**IRD Tax Assessment**”). Pursuant to the IRD Tax Assessment, which were assessed based on the information submitted by our Group to IRD, the adjusted tax loss was approximately HK\$5,107,000 for the year of assessment of 2009/2010 (“**Adjusted Tax Losses**”) and tax liability was approximately HK\$2,196,000 for the year of assessment of 2010/2011. The Adjusted Tax Losses for the year of assessment of 2009/2010 was used to offset against the assessable profits for the year of assessment of 2010/2011.

In the opinion of our Directors, taking into consideration of IRD Tax Assessment received, the tax liability for the year of assessment of 2010/2011 is approximately HK\$2,196,000. Accordingly, our Directors are of the opinion that the maximum penalty as a result of the failure to notify chargeability for year assessment of 2010/2011 would be approximately HK\$6,588,000, which is subject to further/additional tax assessment of the IRD, if any.

With effect from 12 September 2014, SLL, our operating subsidiary, agreed to guarantee the obligations of SEM (Malaysia), a company wholly-owned by SCM (BVI), under an equipment lease facility granted by an Independent Third Party to SEM (Malaysia). The tenure of the equipment lease facility was agreed to be 48 months, with a monthly rent payable by SEM (Malaysia) thereunder amounting to approximately RM20,500 (equivalent to approximately HK\$43,665).

Save as disclosed above, as of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

For the purpose of compiling this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at applicable rates of exchange at the close of business on the respective year/period end dates.

Our Directors confirm that there has been no material adverse change in indebtedness since 31 January 2015, being the date for determining our Group’s indebtedness.

### WORKING CAPITAL

Prior to the Placing, we finance our working capital needs primarily through cash flow from operations and loans. Taking into account our cash flow from operations, presently available borrowings and the net proceeds from the Placing, our Directors are satisfied, after due and careful inquiry, that we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

## FINANCIAL INFORMATION

### OPERATING LEASE ARRANGEMENT

As at 31 March 2013 and 2014, 30 September 2014 and 31 January 2015, our Group has future minimum lease rental receivables under non-cancellable operating leases of our Group in respect of lighting systems as at the reporting dates are as follows:

	As at 31 March		As at 30 September	As at 31 January
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Within one year	7,650	6,091	5,509	4,986
Within second to fifth year	<u>7,736</u>	<u>5,137</u>	<u>3,440</u>	<u>2,591</u>
	<u>15,386</u>	<u>11,228</u>	<u>8,949</u>	<u>7,577</u>

Our Group leases lighting systems under operating lease. The leases generally run for an initial period of three years. None of these leases includes any contingent rentals.

During the Track Record Period and as at the Latest Practicable Date, our Group entered into contracts with a customer, where both parties authorised and agreed that the Group would place a security deposit of approximately HK\$150,000 (the "Security Deposit") in a bank (the "Security Bank") in favour of the customer, the customer shall have the right and sole discretion to demand the Security Bank an amount equal to any cost, loss or damage suffered by itself as the direct or indirect result of any breach of the leasing arrangement by our Group. The provision of the leasing services has been provided by our Group since the year ended 31 March 2012. However both parties and the Security Bank are still in the administrative progress upon the issue of bank guarantee letter, accordingly the Security Deposit has not yet made by our Group.

As at 31 March 2013 and 2014, 30 September 2014 and 31 January 2015, our Group had the following operating lease commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises, motor vehicle licences, warehouses and an office equipment which fall due as follows:

	As at 31 March		As at 30 September	As at 31 January
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Within one year	1,542	799	1,137	1,069
Within second to fifth year	<u>711</u>	<u>54</u>	<u>905</u>	<u>589</u>
	<u>2,253</u>	<u>853</u>	<u>2,042</u>	<u>1,658</u>

Operating lease payments represent rental payable by our Group for our office premises, motor vehicle licences, warehouse premises and an office equipment. Leases and rentals are negotiated and fixed ranging from 1 to 5 years.



## FINANCIAL INFORMATION

### COMMITMENTS

As at 31 March 2013, our Group committed to invest approximately HK\$43.8 million to Jingan Synergy, a sino-foreign equity joint venture company which has been established by our wholly-owned subsidiary, Synergy (China).

During the year ended 31 March 2014, our Group disposed of Synergy (China) and we had no commitments for the establishment of Jingan Synergy thereafter. We had no material capital commitments as at 31 March 2014 and 30 September 2014 respectively.

### CAPITAL EXPENDITURES

Our capital expenditures comprised primarily expenditures on purchase of lighting products for leasing services. For the years ended 31 March 2013 and 2014, the six months ended 30 September 2014 and the ten months ended 31 January 2015, our total capital expenditures were approximately HK\$3.7 million, HK\$1.1 million, HK\$1.0 million and HK\$1.6 million respectively.

The following table sets forth our capital expenditures for our continued business for the periods indicated:

	Year ended 31 March		Six months ended 30 September	Ten months ended 31 January
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
<b>Capital expenditure in connection with:</b>				
Purchase for property, plant and equipment	<u>3,746</u>	<u>1,115</u>	<u>1,031</u>	<u>1,611</u>

### QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

#### Credit risk

Our credit risk relates mainly to our trade receivables, and bank balances and cash. As of 31 March 2013 and 2014, 30 September 2014 and 31 January 2015, all of our bank balances and cash were deposited in banks with high credit ratings and quality without significant credit risk.

In order to minimise the credit risk, the management of our Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

#### Liquidity risk

We are exposed to liquidity risk. Our policy is to monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of fluctuations in cash flows; and monitor the utilisation of borrowings and ensure compliance with loan covenants.

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### Foreign exchange risk

Our Group's revenue and expenses are mainly in Hong Kong dollar which is the functional currency of all entities making up the Group. We consider the currency risk resulting from our daily operations is not significant. Our Group currently does not have a foreign currency hedging policy. However, we will monitor our foreign exchange exposure and will consider hedging the foreign currency exposure should the need arise.

Our Group is mainly exposed to the foreign currency risk of RMB and US dollar. As Hong Kong dollar is pegged to US dollar, we do not expect any significant movement in the US dollar/Hong Kong dollar exchange rate and this is excluded from the sensitivity analysis below as in the opinion of Directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US\$/HK\$ exchange rates as at the reporting dates. No sensitivity analysis for Thailand Baht is presented as management considered the exposure is insignificant.

The following table details the Group's sensitivity of the Group's results for the Track Record Period in regards to a 5% appreciation in Hong Kong dollar against RMB. 5% is the sensitivity rate used which represents management's best assessment of the reasonably possible change in foreign exchange rates. A 5% depreciation in Hong Kong dollar against RMB would have the same magnitude on the Group's results for the respective year/period.

	Year ended 31 March		Six months ended 30 September	Ten months ended 31 January
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Results for the year/period (note)	<u>211</u>	<u>158</u>	<u>580</u>	<u>59</u>

Note: This is mainly attributable to the exposure outstanding on trade payables at the end of the respective reporting period.

Exposures to foreign exchange rates vary during the year/period depending on the volume of transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Our Group had no material foreign currency risk as at 31 January 2015.

### Interest rate risk

Our Group has no significant variable interest-bearing financial assets and liabilities. Our Group's income and operating cash flows are substantially independent of changes in market interest rate. Our Group adopts centralised treasury policies in cash and financial management and focuses on reducing the overall interest expenses. Our Directors are of the opinion that our Group's sensitivity to the change in interest rate is low.

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## FINANCIAL INFORMATION

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### DIVIDEND AND DIVIDEND POLICY

During each of the two years ended 31 March 2013 and 2014, our Group declared special interim dividends of approximately HK\$25.0 million and HK\$40.0 million respectively to our then equity owners. All dividends declared were fully settled prior to the Latest Practicable Date and were paid in cash out of the internal resources of our Group. Investors should pay attention to the possible impact on our cashflow and working capital as a result of the payment of the special dividend.

The declaration of future dividends will be subject to the discretion of our Directors and will depend on, inter alia, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors, that our Directors deem relevant. Accordingly, potential investors should note that dividend payments in the past should not be regarded as an indication of future dividend policy. There can be no assurance that we will declare dividends in the future.

### RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 34 of the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to independent third parties and were fair and reasonable and in the interest of the Shareholders as a whole.

### DISTRIBUTABLE RESERVES

As at 30 September 2014, there were no reserves available for distribution to the Shareholders of the Company.

### RECENT DEVELOPMENT

Subsequent to 30 September 2014 and up to the Latest Practicable Date, we have confirmed orders of an aggregate of approximately 222,000 "Tube-in-Tube" Fluorescent Lamps, 100,000 LEDs and 4,000 induction lamps in relation to our trading of lighting products, of which approximately 121,000 "Tube-in-Tube" Fluorescent Lamps, 100,000 LEDs and 4,000 induction lamps have been delivered as of the Latest Practicable Date. For Consultancy Services, we have two confirmed orders of an aggregate contract sum of HK\$17.3 million with each of our existing customers, including Well Spread, with expected deployment in certain factories in Zhongshan and Zhuhai, the PRC. In addition, as at the Latest Practicable Date, we have 106 EMCs on hand. Subsequent to 30 September 2014 and up to the Latest Practicable Date, we entered into four new EMCs and renewed the term of four EMCs, while two EMCs were terminated upon expiry.

In addition, the Directors confirm that our Group's trade receivable turnover days has improved from approximately 312 days for the six months ended 30 September 2014 to approximately 214 days for the ten months ended 31 January 2015.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets prepared on the basis of the notes set out below for the purpose of illustrating the effect of the issue of New Shares pursuant to the Placing on the net tangible assets of the Group attributable to owners of the Company as if the Placing had taken place on 30 September 2014. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Placing been completed as of 30 September 2014 or at any future dates.

	Audited consolidated net tangible assets attributable to the owners of the Company as at 30 September 2014	Estimated net proceeds from the issue of New Shares pursuant to the Placing	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK\$'000 (note 1)	HK\$'000 (note 2)	HK\$'000	HK\$ (note 3)
Based on the Placing Price of HK\$0.50 per Share	<u>46,709</u>	<u>20,982</u>	<u>67,691</u>	<u>0.14</u>
Based on the Placing Price of HK\$0.70 per Share	<u>46,709</u>	<u>37,217</u>	<u>83,926</u>	<u>0.17</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2014 is arrived at after deducting intangible assets of approximately HK\$193,000 from the audited consolidated net assets of approximately HK\$46,902,000 as at 30 September 2014, as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of New Shares pursuant to the Placing are based on the Placing Price of HK\$0.50 and HK\$0.70 per Share, being the lower end to higher end of the stated placing price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following completion of the Placing as set out in the "Share Capital" section to this prospectus, but takes no account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group enter into subsequent to 30 September 2014.

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## FINANCIAL INFORMATION

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### **DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES**

The Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that 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 has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2014, being the date of which the latest financial information of our Group was reported in the Accountant's Report as set out in Appendix I to this prospectus.

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## SPONSOR'S INTEREST AND INDEPENDENCE

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Save as provided for under the Underwriting Agreement, neither the Sponsor nor any of its associates has or may, as a result of the Placing, have any interest in any securities of our Company or any other companies of our Group (including options or rights to subscribe for such securities).

Neither the Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

- (i) in taking up the underwriting obligations under the Underwriting Agreement by an associate of the Sponsor;
- (ii) by way of an underwriting commission to be paid to an associate of the Sponsor for acting as one of the Underwriters to the Placing pursuant to the Underwriting Agreement;
- (iii) by way of documentation and financial advisory fee to be paid to the Sponsor for acting as the sponsor of the Placing;
- (iv) the Sponsor has been appointed as the compliance adviser of the Company for the purpose of the GEM Listing Rules for a fee from the Listing Date to 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 agreement is terminated, whichever is the earlier; and
- (v) certain associates of the Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in the securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after the Listing.

None of the directors or employees of the Sponsor who have been involved in providing advice to our Company has or may, as a result of the Placing, have any interest in any securities of our Company or any other companies of our Group (including options or rights to subscribe for such securities).

None of the directors or employees of the Sponsor has any directorship in our Company or any other companies comprising our Group. The Sponsor is independent from our Group under Rule 6A.07 of the GEM Listing Rules.

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## UNDERWRITING

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### UNDERWRITERS

CLC Securities Limited

Hooray Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company and the Selling Shareholders are offering the Placing Shares for subscription and for sale 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, (i) 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 and (ii) certain other conditions set out in the Underwriting Agreement, the Underwriters have severally agreed to subscribe for or purchase, or procure subscribers to subscribe for or purchase, 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 purchase, or procure subscribers to subscribe for or purchase, the Placing Shares are subject to conditions under the Underwriting Agreement. The Lead Manager (for itself and on behalf of the Underwriters) shall be entitled to terminate their obligations under the Underwriting Agreement upon the occurrence of any of the following events by notice in writing to our Company given by the Lead Manager (for itself and on behalf of the Underwriters) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”), if prior to the Termination Time:

- (a) there comes to the notice of the Sponsor, the Lead Manager or any of the Underwriters:
  - (i) any matter or event showing any of the representations, warranties or undertakings contained in the Underwriting Agreement given by our Company or any of the Controlling Shareholders, the Selling Shareholders and our executive Directors to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement or any other provisions of the Underwriting Agreement by any party thereto other than the Sponsor, the Lead Manager and/or the Underwriters which, in any such cases, is considered, in the reasonable opinion of the Lead Manager (for itself and on behalf of the Underwriters), to be material in the context of the Placing; or
  - (ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect; or
  - (iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Lead Manager (for itself and on behalf of the Underwriters), to be material in the context of the Placing; or
  - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Lead Manager (for itself and on behalf of the Underwriters), an omission that would have a material adverse effect on the Placing; or

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## UNDERWRITING

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- (v) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of the Controlling Shareholders, the Selling Shareholders and our executive Directors under the Underwriting Agreement arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement; or
  - (vi) any breach by any party to the Underwriting Agreement other than the Sponsor, the Lead Manager or any of the Underwriters of any provision of the Underwriting Agreement which, in the reasonable opinion of the Lead Manager (for itself and on behalf of the Underwriters), is material; or
- (b) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, BVI, the PRC, the US or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group which is material to the conditions, business affairs, profits, losses or the financial or trading position of any member of our Group or otherwise material in the context of the Placing; or
  - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the Cayman Islands, BVI, the PRC, the US or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdictions relevant to the business of our Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
  - (iii) any change in the conditions of Hong Kong, the PRC, the US or international equity securities or other financial markets; or
  - (iv) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
  - (v) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (vi) any change or development involving a prospective change in any forms of taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, BVI, the PRC, the US or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the business of our Group; or
  - (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) or other jurisdiction relevant to the business of our Group or in which our Group conducts business which is material to the conditions, business affairs, profits, losses or the financial or trading position of any member of our Group or otherwise material in the context of the Placing; or
  - (viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or



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## UNDERWRITING

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(ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, outbreak of infectious disease, calamity, crisis, terrorism, strike or lock-out, (whether or not covered by insurance); or

(x) any other change whether or not ejusdem generis with any of the foregoing,

which, in the reasonable opinion of the Lead Manager (for itself and on behalf of the Underwriters):

(i) is or will be, or is very likely to be, adverse, in any material respect, to the business, financial or trading conditions or prospects of our Group; or

(ii) has or will have, or is very likely to have, a material adverse effect on the success of the Placing or the level of the Placing Shares being demanded, applied for or accepted, the distribution of the Placing Shares or the market price of the Shares following the Listing; or

(iii) for any other reason makes it impracticable, inadvisable or inexpedient to proceed with the Placing as a whole.

For the above purpose:

(i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of the value of Hong Kong currency under such system or a devaluation of the RMB against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

(ii) any fluctuations in Hong Kong, the PRC, the US or international equity securities or other financial markets, whether or not within the normal range therefor, may be considered as a change of market conditions or prospects referred to above.

## UNDERTAKINGS

For the purpose of this paragraph headed “Undertakings”, unless the context otherwise requires, all references to “he” or “him” or “his” shall include references to all other genders.

Pursuant to the Underwriting Agreement, each of the Controlling Shareholders, namely Mr. Mansfield Wong, Abundance, Mr. Arthur Lam and Mr. Alastair Lam, has jointly and severally undertaken to our Company, the Sponsor, the Lead Manager and the Underwriters that, except (i) pursuant to the Placing; or (ii) permitted under the GEM Listing Rules and with the prior written consent of the Lead Manager (for itself and on behalf of the Underwriters) he/it shall not, and shall procure that none of the relevant registered holder(s) will, at any time during 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 (the “**Lock-up Period**”), dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect which he/it is shown by this prospectus to be the beneficial owner or agree to do any of the foregoing or announce any intention to do so.

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## UNDERWRITING

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For the purpose of the above restriction, a person is treated as the beneficial owner of Shares if he has the ultimate beneficial ownership or control of the Shares, whether through a chain of companies or otherwise.

Nothing in the above restriction shall prevent the disposal of any Shares (or interest therein) of a Controlling Shareholder in the following circumstances:

- (1) pursuant to a pledge or charge 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;
- (2) pursuant to a power of sale under the pledge or charge (granted pursuant to sub-paragraph (1) immediately above);
- (3) on the death of the Controlling Shareholder; or
- (4) in any other exceptional circumstances to which the Stock Exchange has given its prior approval.

Without prejudice to the undertaking as referred to immediately above, during the Lock-up Period, each of the Controlling Shareholders shall:

- (i) when he/it pledges or charges any direct or indirect interest in any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under the circumstances described in sub-paragraph (1) in the preceding paragraph, immediately inform us, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) of such pledge or charge together with the number of the securities so pledged or charged and all other information as requested by us, the Sponsor and/or the Lead Manager (for itself and on behalf of the Underwriters); and
- (ii) subsequent to the pledge or charge over the securities (or interest therein) as mentioned in sub-paragraph (i) immediately above, immediately inform us, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

The Controlling Shareholders have also given undertakings to the Stock Exchange in compliance with Rule 13.16A of the GEM Listing Rules.

Pursuant to Rule 17.29 of the GEM Listing Rules, except as otherwise provided for in that rule, no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued 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 securities will be completed within six months from the Listing Date).

Under the Underwriting Agreement, our Company has undertaken to and covenanted with the Sponsor, the Lead Manager and the Underwriters that, and each of the Controlling Shareholders and our executive Directors has jointly and severally undertaken and covenanted with the Sponsor, the Lead Manager and the Underwriters to procure that, without the prior written consent of the Lead Manager (for itself and on behalf of the Underwriters) and subject always to the requirements of the Stock Exchange, save for the Placing Shares, the grant of options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or otherwise by way of scrip dividend schemes or similar arrangements in accordance with the Memorandum and the Articles or any consolidation, sub-division or capital reduction of our Shares, our Company shall not:

- (a) allot and issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or

## UNDERWRITING

exchangeable into shares or other securities of our Company, or offer or agree to do any of the foregoing or announce any intention to do so at any time during the period from the Listing Date to the date which is six months from the Listing Date; or

- (b) at any time during the six-month period mentioned in sub-paragraph (a) immediately above, subject to the GEM Listing Rules and the Takeovers Code, make or agree to make any buy back of any Shares or other securities of our Company.

Besides the above non-disposal undertaking given by the Controlling Shareholders under the Underwriting Agreement, Mr. Kwan, Sinochief and its two shareholders namely, Mr. Tang Kwok Cheung and Miss Zee Margaret who in aggregate are the beneficial owners of 100% issued shares of Sinochief, Fine Sky and its two shareholders, namely, Mr. Chan and Mr. Ng who in aggregate are the beneficial owners of 100% issued shares of Fine Sky, Miss Liu, Miss HY Tsang and Miss Cheng, all being Existing Shareholders and their beneficial owners, have also given a non-disposal undertaking in favour of our Company in respect of all the Shares (or any interest therein) owned by him/her/it directly or indirectly immediately upon completion of the Placing substantially similar to the non-disposal undertakings given by the Controlling Shareholders to the Stock Exchange under Rule 13.16A(1)(a) of the GEM Listing Rules during the Lock-up Period.

Together with the non-disposal undertakings given by the Controlling Shareholders in the Underwriting Agreement, details of the Shares subject to the abovementioned non-disposal undertakings during the Lock-Up Period are as follows:

<b>Name of Controlling Shareholders and other persons/entities subject to the non-disposal undertaking</b>	<b>Number of Shares subject to the non-disposal undertaking</b>	<b>Approximate percentage</b>
Mr. Alastair Lam	49,800,734	10.0% (Note 1)
Mr. Mansfield Wong	(Note 2)	N/A
Abundance	47,249,204	9.4%
Mr. Arthur Lam	35,464,437	7.1%
Mr. Kwan	7,636,235	1.5%
Sinochief	13,767,251	2.8%
Mr. Tang Kwok Cheung	(Note 3)	N/A
Miss Zee Margaret	(Note 3)	N/A
Fine Sky	16,410,563	3.3%
Mr. Chan	(Note 4)	N/A
Mr. Ng	(Note 4)	N/A
Miss Liu	19,090,587	3.8%
Miss HY Tsang	4,589,084	0.9%
Miss Cheng	20,045,116	4.0%
<b>Total:</b>	<b><u>214,053,211</u></b>	<b><u>42.8%</u></b>

Notes:

- (1) The percentage shareholding of Mr. Alastair Lam rounded up to 2 decimal places is 9.96%.
- (2) The subject Shares are the 47,249,204 Shares directly held by Abundance which is wholly-owned by Mr. Mansfield Wong.
- (3) The subject Shares are the 13,767,251 Shares directly held by Sinochief which is owned as to 50% by Mr. Tang Kwok Cheung and 50% by Miss Zee Margaret.
- (4) The subject Shares are the 16,410,563 Shares directly held by Fine Sky which is owned as to 50% by Mr. Chan and 50% by Mr. Ng.
- (5) The above percentage figures have been subject to rounding adjustments. Accordingly, figure shown as total may not be an arithmetic aggregation of the figures preceding it.

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## UNDERWRITING

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### COMMISSION AND EXPENSES

The Lead Manager (for itself and on behalf of the Underwriters) will receive an underwriting commission at the rate of 4.0% of the aggregate Placing Price payable for the Placing Shares in accordance with the terms of the Underwriting Agreement, out of which the Underwriters will pay all (if any) sub-underwriting commission, and the Sponsor will, in addition, receive a sponsorship fee. Such fee and commission, together with the GEM Listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, translation and other expenses relating to the Placing, amount to approximately HK\$39.8 million (based on the Placing Price of HK\$0.60 per Placing Share, being the mid-point of our indicative Placing Price range of HK\$0.50 to HK\$0.70 per Share), of which approximately HK\$36.3 million is to be borne by our Group and approximately HK\$3.5 million is to be borne by the Selling Shareholders. The Selling Shareholders shall be solely responsible (in proportion to the number of Sale Shares sold by each of them) for any fixed transfer duty, ad valorem stamp duty and taxes in respect of the sale and transfer of the Sale Shares, the Stock Exchange trading fee and the SFC transaction levy in respect of the transfer of the Sale Shares, where applicable.

### SPONSOR'S, LEAD MANAGER'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sponsor will receive a sponsorship fee. The Lead Manager (for itself and on behalf of the Underwriters) will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the sub-paragraph headed "Commission and expenses" of this section.

Our Company has appointed the Sponsor as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the 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 compliance adviser agreement is otherwise terminated in accordance with its terms and conditions.

Save as disclosed above, none of the Sponsor, the Lead Manager nor the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of the members of our Group nor any interest in the Placing.

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## STRUCTURE OF THE PLACING

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### PLACING PRICE

The Placing Price will not be more than HK\$0.70 per Placing Share and is expected to be not less than HK\$0.50 per Placing Share. Investors, when investing for the Placing Shares, shall pay the Placing Price plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Assuming the Placing Price of HK\$0.60 per Placing Share (being the mid-point of the indicative Placing Price range), investors shall pay HK\$2,424.18 for every board lot of 4,000 Shares.

### CONDITIONS OF THE PLACING

Acceptance of all application for the Placing Shares will be conditional upon, inter alia:

1. the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing, and any Shares which may fall to be issued pursuant to any exercise of any options which may be granted under the Share Option Scheme as described in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on GEM;
2. the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, the waiver of any condition(s) in accordance with its terms) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
3. the Placing Price having been duly agreed between us (for ourselves and on behalf of the Selling Shareholders) and the Lead Manager (for itself and on behalf of the Underwriters) on or about the Price Determination Date,

in each case, 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 Sunday, 12 April 2015, being the date which is 30 days after the date of this prospectus.

If such conditions have not been fulfilled or waived (as the case may be) prior to the times and dates specified in the Underwriting Agreement, the Placing will lapse and the Listing Division will be notified immediately. Notice of the lapse of the Placing will be caused to be published by our Company on the Stock Exchange's website on the next Business Day following such lapse.

### THE PLACING

125,000,000 Placing Shares are being offered pursuant to the Placing, representing in aggregate 25.0% of the enlarged issued share capital of our Company immediately upon completion of the Placing. The Placing is fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement. Pursuant to the Placing, it is expected that the Underwriters, on behalf of our Company and the Selling Shareholders, will conditionally place the Placing Shares at the Placing Price payable by the investors acquiring the Placing Shares plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. The Placing Shares shall be placed with selected professional, institutional or other investors. Professional and institutional investors generally include brokers, dealers, companies, high net worth individuals and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

### BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level of indication, timing and demand, and whether or not it is expected that the relevant investors are likely to buy further Placing Shares or hold or sell their Placing Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid

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## STRUCTURE OF THE PLACING

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and broad shareholder base to 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 the Listing will be owned by the three largest public Shareholders.

No allocations of the Placing Shares will be permitted to nominee companies, unless the name of the ultimate beneficiary is disclosed. Unless with the prior written consent of the Stock Exchange, there will not be any preferential treatment in the allocation of the Placing Shares to any persons.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM by the Listing Division and the compliance by our Company 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 such other date as determined by HKSCC.

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.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be fixed by the Price Determination Agreement between the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, which is currently scheduled to be on or about Tuesday, 17 March 2015.

If, for whatever reason, the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) are unable to reach agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse. In such event, our Company will issue an announcement to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.synergy-group.com](http://www.synergy-group.com).

The Placing Price will not be more than HK\$0.70 per Placing Share and is currently expected to be not less than HK\$0.50 per Placing Share. The final Placing Price will fall within the indicative Placing Price range as stated in this prospectus unless otherwise announced, as further explained below.

The final Placing Price, the level of indication of interest in the Placing and the basis of allocation of the Placing Shares, are expected to be announced on the Stock Exchange's website and our Company's website at [www.synergy-group.com](http://www.synergy-group.com) on or before Monday, 23 March 2015.

If, based on the level of indication of interest expressed by prospective institutional, professional or other investors during the book-building process, the Lead Manager (for itself and on behalf of the Underwriters) consider it appropriate, and with the consent of our Company (for ourselves and on behalf of the Selling Shareholders), the indicative Placing Price range may be reduced below that stated in this prospectus at any time on or before the Price Determination Date. In such a case, our Company will, as

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## **STRUCTURE OF THE PLACING**

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soon as practicable following the decision to make such reduction, cause to be published on the Stock Exchange's website an announcement of such change. Such announcement will also include confirmation or revision, as appropriate, of the working capital statement, the Placing statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any announcement being published on the Stock Exchange's website of a reduction in the indicative Placing Price range stated in this prospectus in the manner set out herein, the final Placing Price, upon agreed by the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), will under no circumstances be set outside the Placing Price range as stated in this prospectus.

### **COMMENCEMENT OF DEALING IN SHARES**

Dealings in Shares on GEM are expected to commence on Tuesday, 24 March 2015. The Shares will be traded in board lots of 4,000 Shares each and are freely transferable. The stock code for the Shares is 8105.

*The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.*



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永安中心25樓

13 March 2015

The Directors  
Synergy Group Holdings International Limited

CLC International Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Synergy Group Holdings International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for each of the years ended 31 March 2013, 2014 and the six months ended 30 September 2014 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 March 2013, 2014 and 30 September 2014, and the statements of financial position of the Company as at 31 March 2013, 2014 and 30 September 2014, together with notes thereon, for inclusion in the prospectus of the Company dated 13 March 2015 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 14 December 2011 as an exempted company with limited liability under the laws of the Cayman Islands.

Pursuant to a corporate reorganisation (the "Reorganisation") as more fully explained in the paragraph headed "Group Reorganisation" in the "History and Corporate Development" section to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

The Group is principally engaged in trading of lighting products, provision of leasing and consultancy services. The Company and its subsidiaries have adopted 31 March as their financial year end date. Particulars of the subsidiaries comprising the Group are set out in note 1 of section II of this report.

For the purpose of the Financial Information of this report, the directors of the Company have prepared the consolidated financial statements (the "Underlying Financial Statements") of the Group for the Relevant Periods in accordance with the basis set out in note 2 of section II and accounting policies in note 5 of section II which conform with Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Financial Information set out in this report has been prepared by the directors based on the Underlying Financial Statements with no adjustments made thereon.



**Respective responsibilities of directors and reporting accountant**

The directors of the Company are responsible for the contents of the Prospectus, including the preparation and the true and fair presentation of the Financial Information prepared in accordance with the basis of presentation set out in note 2 of section II, accounting policies set out in note 5 of section II, the disclosure requirements of the Hong Kong Companies Ordinance and applicable Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "Listing Rules"), and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. For the purpose of this report, we have carried out audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing (the "HKSAAs") issued by the HKICPA. We have examined the Financial Information in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA and have carried out such additional procedures on the Financial Information as we considered necessary.

**Opinion in respect of the Financial Information**

In our opinion, the Financial Information set out below, for the purpose of this report and on the basis of presentation set out in note 2 of section II and in accordance with accounting policies set out in note 5 of section II below, gives a true and fair view of the consolidated results and cash flows of the Group for the Relevant Periods and of the state of affairs of the Group as at 31 March 2013, 2014 and 30 September 2014, and the Company as at 31 March 2013, 2014 and 30 September 2014.

**Comparative Financial Information**

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the six months ended 30 September 2013, together with the notes thereto (the "Comparative Financial Information") in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The directors of the Company are responsible for the preparation of the Comparative Financial Information in accordance with the basis of presentation set out in note 2 of section II, the accounting policies set out in note 5 of section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review, for the purpose of this report, nothing has come to our attention that causes us to believe the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March		Six months ended 30 September	
		2013	2014	2013	2014
		HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Revenue</b>	8	70,843	79,935	35,797	37,847
Cost of sales		(21,018)	(28,941)	(12,339)	(15,583)
<b>Gross profit</b>		49,825	50,994	23,458	22,264
Other income and gains	8	1,800	1,937	904	995
Administrative expenses		(14,516)	(12,958)	(6,327)	(4,483)
Selling and distribution costs		(3,552)	(2,303)	(1,316)	(1,160)
Finance costs	9	(223)	(231)	(219)	(3)
Other expenses		(94)	(2,221)	-	(315)
Share of results of associates		(4,384)	(4,198)	(2,067)	(1,971)
Share of results of joint ventures		-	-	-	-
<b>Profit before income tax</b>	10	28,856	31,020	14,433	15,327
Income tax expense	12(a)	(6,794)	(7,482)	(3,354)	(3,492)
<b>Profit for the year/period</b>		22,062	23,538	11,079	11,835
<b>Other comprehensive income for the year/period</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Share of other comprehensive income of associates		-	-	-	(3)
<b>Total comprehensive income for the year/period attributable to the owners of the Company</b>		<u>22,062</u>	<u>23,538</u>	<u>11,079</u>	<u>11,832</u>
<b>Earnings per share for profit attributable to the owners of the Company during the year/period – Basic (HK cents)</b>	14	<u>5.3</u>	<u>5.7</u>	<u>2.7</u>	<u>2.9</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March		As at
		2013	2014	30 September
		HK\$'000	HK\$'000	2014
				HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15	8,870	6,407	5,781
Intangible assets	16	1,348	578	193
Interests in joint ventures	17	–	–	–
Interests in associates	18	19,096	14,898	12,924
Finance lease receivables	19	–	478	518
Rental deposits		424	–	156
		<u>29,738</u>	<u>22,361</u>	<u>19,572</u>
<b>Current assets</b>				
Inventories	20	389	405	305
Trade receivables	21	44,139	69,897	58,977
Finance lease receivables	19	–	231	424
Deposits, prepayments and other receivables	22	3,017	4,045	7,316
Due from associates	23(a)	1,117	3,711	1,903
Cash and cash equivalents	24	7,313	3,202	1,209
		<u>55,975</u>	<u>81,491</u>	<u>70,134</u>
<b>Current liabilities</b>				
Trade payables	25	4,859	5,837	14,265
Accruals, other payables and deposits received	26	4,547	8,335	12,708
Dividends payable		–	40,016	2,972
Borrowings	27	5,038	167	143
Finance lease obligations	28	7	–	–
Due to a related company	23(b)	732	53	221
Due to directors	23(c)	4,775	–	–
Provision for taxation		13,151	13,801	11,472
		<u>33,109</u>	<u>68,209</u>	<u>41,781</u>
<b>Net current assets</b>		<u>22,866</u>	<u>13,282</u>	<u>28,353</u>
<b>Total assets less current liabilities</b>		<u>52,604</u>	<u>35,643</u>	<u>47,925</u>
<b>Non-current liabilities</b>				
Deposits received	26	1,056	573	353
Borrowings	27	–	–	384
Deferred tax liabilities	12(b)	–	–	286
		<u>1,056</u>	<u>573</u>	<u>1,023</u>
<b>Net assets</b>		<u>51,548</u>	<u>35,070</u>	<u>46,902</u>
<b>EQUITY</b>				
<b>Equity attributable to the owners of the Company</b>				
Share capital	29	176	176	176
Reserves	30	51,372	34,894	46,726
<b>Total equity</b>		<u>51,548</u>	<u>35,070</u>	<u>46,902</u>

## STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March		As at
		2013	2014	30 September
		HK\$'000	HK\$'000	2014
		HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>				
Net current and net assets		—	—	—
		=	=	=
<b>EQUITY</b>				
<b>Equity attributable to the owners of the Company</b>				
Share capital	29	—	—	—
		—	—	—
<b>Total equity</b>		—	—	—
		=	=	=

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium*	Capital reserves*	Foreign exchange reserves*	Retained profits*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 29)	(note 30)	(note 30)			
<b>At 1 April 2012</b>	176	15,441	8,104	–	30,769	54,490
Issue/(repurchase) of shares	–	716	(716)	–	–	–
Dividends (note 13)	–	–	–	–	(25,004)	(25,004)
Transactions with owners	–	716	(716)	–	(25,004)	(25,004)
Profit for the year and total comprehensive income for the year	–	–	–	–	22,062	22,062
<b>At 31 March 2013 and 1 April 2013</b>	176	16,157	7,388	–	27,827	51,548
Dividends (note 13)	–	–	–	–	(40,016)	(40,016)
Transactions with owners	–	–	–	–	(40,016)	(40,016)
Profit for the year and total comprehensive income for the year	–	–	–	–	23,538	23,538
<b>At 31 March 2014 and 1 April 2014</b>	176	16,157	7,388	–	11,349	35,070
Profit for the period	–	–	–	–	11,835	11,835
Other comprehensive income	–	–	–	–	–	–
Share of other comprehensive income of associates	–	–	–	(3)	–	(3)
Total comprehensive income for the period	–	–	–	(3)	11,835	11,832
<b>At 30 September 2014</b>	<u>176</u>	<u>16,157</u>	<u>7,388</u>	<u>(3)</u>	<u>23,184</u>	<u>46,902</u>
<b>At 1 April 2013</b>	176	16,157	7,388	–	27,827	51,548
Profit for the period and total comprehensive income for the period	–	–	–	–	11,079	11,079
<b>At 30 September 2013 (unaudited)</b>	<u>176</u>	<u>16,157</u>	<u>7,388</u>	<u>–</u>	<u>38,906</u>	<u>62,627</u>

\* These reserve accounts comprise the consolidated reserves of approximately HK\$51,372,000, HK\$34,894,000 and HK\$46,726,000 in the consolidated statements of financial position as at 31 March 2013, 2014 and 30 September 2014, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March		Six months ended 30 September	
		2013	2014	2013	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Cash flows from operating activities</b>					
Profit before income tax		28,856	31,020	14,433	15,327
Adjustments for:					
Interest expense	9	132	162	151	3
Amortisation of intangible assets	10	770	770	385	385
Bad debts written off	10	19	222	–	–
Depreciation of property, plant and equipment	10	2,161	2,534	1,286	1,133
Losses on disposals of property, plant and equipment	10	75	385	–	315
Share of results of associates		4,384	4,198	2,067	1,971
Warranty provision, net of reversal	10	480	296	323	165
Loss on disposal of a subsidiary	33	–	4	–	–
Operating profit before working capital changes		36,877	39,591	18,645	19,299
(Increase)/decrease in inventories		(150)	643	92	309
(Increase)/decrease in trade receivables		(10,657)	(25,980)	(2,923)	10,920
Increase in finance lease receivables		–	(709)	–	(233)
Decrease/(increase) in deposits, prepayments and other receivables		1,072	(604)	(1,369)	(3,427)
(Decrease)/increase in balances with associates		(1,282)	(2,594)	(656)	1,808
Increase/(decrease) in trade payables		4,749	978	(1,574)	8,428
Increase/(decrease) in amount due to a related company		347	(679)	(573)	168
(Decrease)/increase in accruals, other payables and deposits received		(660)	3,009	2,767	3,988
Cash generated from operations		30,296	13,655	14,409	41,260
Income tax paid		–	(6,832)	(6,357)	(5,535)
<b>Net cash generated from operating activities</b>		<u>30,296</u>	<u>6,823</u>	<u>8,052</u>	<u>35,725</u>

	Notes	Year ended 31 March		Six months ended 30 September	
		2013	2014	2013	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment		(3,746)	(1,115)	(789)	(1,031)
Disposal of a subsidiary, net of cash disposed	33	—	(4)	—	—
<b>Net cash used in investing activities</b>		<u>(3,746)</u>	<u>(1,119)</u>	<u>(789)</u>	<u>(1,031)</u>
<b>Cash flows from financing activities</b>					
Interest paid on borrowings		(131)	(162)	(151)	(3)
Increase/(decrease) in amounts due to directors		69	(4,775)	(4,775)	—
Interest element on finance lease payments		(1)	—	—	—
Capital element of finance lease obligations		(9)	(7)	(5)	—
New borrowings		8,578	7,104	7,104	485
Repayment of borrowings		(4,207)	(11,975)	(9,565)	(125)
Dividends paid		<u>(25,004)</u>	—	—	<u>(37,044)</u>
<b>Net cash used in financing activities</b>		<u>(20,705)</u>	<u>(9,815)</u>	<u>(7,392)</u>	<u>(36,687)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		5,845	(4,111)	(129)	(1,993)
<b>Cash and cash equivalents at beginning of the year/period</b>		<u>1,468</u>	<u>7,313</u>	<u>7,313</u>	<u>3,202</u>
<b>Cash and cash equivalents at end of the year/period</b>		<u><u>7,313</u></u>	<u><u>3,202</u></u>	<u><u>7,184</u></u>	<u><u>1,209</u></u>

## II. NOTES TO FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 December 2011. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Unit 404B, 4/F, Block B, Sea View Estate, No.4-6 Watson Road, North Point, Hong Kong.

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in trading of lighting products and provision of leasing and consultancy service.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

<u>Company name</u>	<u>Place and date of incorporation</u>	<u>Particulars of issued and fully paid up share capital</u>	<u>Effective interest held by the Company in the Relevant Periods</u>	<u>Principal activities</u>
Synergy Group Worldwide Limited ("Synergy Worldwide") (note 1)	British Virgin Islands ("BVI") 8 August 2008	United States Dollar ("US\$") 22,608	100%	Investment holding
Synergy Lighting Limited ("Synergy Lighting") (note 2)	Hong Kong 3 December 2008	HK\$100	100%	Leasing, consultancy services and trading of lighting products

Notes:

- (1) No audited financial statements have been prepared for the Company and Synergy Worldwide as there is no statutory requirement to have their financial statements audited under the relevant rules and regulations in the jurisdiction of incorporation.
- (2) The statutory financial statements of Synergy Lighting for the years ended 31 March 2013 and 2014 were audited by BDO Limited, Certified Public Accountants, Hong Kong. The audited financial statements were unqualified.

### 2. GROUP REORGANISATION AND BASIS OF PRESENTATION

#### Group reorganisation ("Reorganisation")

Prior to the Reorganisation, Lam Chung Ho, Alastair ("Mr. Alastair Lam"), Lam Arthur ("Mr. Arthur Lam"), Abundance Development Limited, Fine Sky International Enterprise Limited, Chu Kwok Hung Micky, Lam Sze Chung Paul Jr, Tsang Hui Yan, Sinochief Development Limited, Tsang Ho Kwan, Liu Aimei, Cheung Tsun Yung Thomas, Cheng Wan Gi, Sun Jianji, Lau Wai Yan, Kwan Ka Hing, Tong Chi Fung and Chow Tsz Wah, Success Gold Investment Ltd. each owned equity interest of Synergy Worldwide of 12.00%, 8.55%, 11.39%, 3.95%, 4.81%, 3.09%, 1.11%, 3.32%, 3.43%, 4.60%, 4.83%, 4.83%, 4.83%, 5.00%, 1.84%, 6.21%, 6.21% and 10.00%, respectively.



**II. NOTES TO FINANCIAL INFORMATION (continued)****2. GROUP REORGANISATION AND BASIS OF PRESENTATION (continued)***Group reorganisation ("Reorganisation") (continued)*

In preparing the listing of the Company's shares on the Stock Exchange, the following steps have been carried out:

- (a) The Company was incorporated in the Cayman Islands on 14 December 2011. The Company has an authorised share capital of HK\$380,000 divided into 380,000 ordinary shares of HK\$1.00 each. One share of HK\$1.00 was issued and allotted nil-paid to Codan Trust Company (Cayman) Limited and such nil-paid subscriber share was transferred to Mr. Alastair Lam on 14 December 2011. On the same day, the Company issued and allotted 99 shares of HK\$1.00 each nil-paid to Mr. Alastair Lam, such that Mr. Alastair Lam then held 100 shares of HK\$1.00 each that were nil-paid. On 6 February 2012, the Company was registered as a non-Hong Kong company under Part XI of the then Companies Ordinance (Chapter 32 of the Laws of Hong Kong), the predecessor to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Company will become the ultimate holding company of the Group and the eventual listing vehicle.
- (b) On 5 March 2015, the sole shareholder of the Company, Mr. Alastair Lam passed a resolution to approve the sub-division of all the ordinary shares of HK\$1.00 each in the issued and unissued share capital of the Company into 100 shares. As a result, the authorised share capital of the Company became HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which 10,000 shares have been issued nil paid and held by Mr. Alastair Lam.
- (c) On 5 March 2015, the then shareholders of Synergy Worldwide (the "Synergy Worldwide Existing Shareholders"), the Company and Synergy Worldwide entered into a reorganisation agreement ("Reorganisation Agreement"), whereby the Company acquired from the Synergy Worldwide Existing Shareholders the entire issued share capital of Synergy Worldwide, in consideration of which the Company issued and allotted 414,990,000 new shares to the Synergy Worldwide Existing Shareholders all credited as fully-paid and credited the 10,000 nil-paid shares as fully-paid at par and held by Mr. Alastair Lam, such that on completion of the Reorganisation Agreement, the percentage shareholding of each of the Synergy Worldwide Existing Shareholders in Synergy Worldwide (before the Reorganisation) and in the Company (after the Reorganisation) was approximately the same.

Upon completion of the above steps on 5 March 2015, the Company became the ultimate holding company of Synergy Worldwide. Mr. Alastair Lam, Mr. Arthur Lam, Abundance Development Limited, Fine Sky International Enterprise Limited, Chu Kwok Hung Micky, Lam Sze Chung Paul Jr, Tsang Hui Yan, Sinochief Development Ltd., Tsang Ho Kwan, Liu Aimei, Cheung Tsun Yung Thomas, Cheng Wan Gi, Sun Jianji, Lau Wai Yan, Kwan Ka Hing, Tong Chi Fung and Chow Tsz Wah, Success Gold Investment Limited each owned 12.00%, 8.55%, 11.39%, 3.95%, 4.81%, 3.09%, 1.11%, 3.32%, 3.43%, 4.60%, 4.83%, 4.83%, 4.83%, 5.00%, 1.84%, 6.21%, 6.21% and 10.00% of equity interests in the Company, respectively which mirrors their respective percentage of equity interest in Synergy Worldwide before the Reorganisation. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of Synergy Worldwide.

*Basis of presentation*

The Financial Information and Comparative Financial Information of the Group have been prepared as if the Company had always been the holding company of the Group. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2013, 2014 and 30 September 2014 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates.

**II. NOTES TO FINANCIAL INFORMATION (continued)****3. BASIS OF PREPARATION**

The Financial Information and Comparative Financial Information have been prepared in accordance with the basis of presentation set out in note 2 and the accounting policies in note 5 which comply with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The Financial Information and Comparative Financial Information also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. All HKFRSs effective for the accounting periods commencing from 1 April 2012 and relevant to the Group have been adopted by the Group in the preparation of the Financial Information and Comparative Financial Information consistently throughout the Relevant Periods to the extent required or allowed by the transitional provisions in the HKFRSs. The Financial Information and Comparative Financial Information have been prepared under the historical cost convention.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information and Comparative Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information and Comparative Financial Information are disclosed in note 6.

The Financial Information and Comparative Financial Information are presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

**4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs**

At the date of this report, the following new or amended HKFRSs, potentially relevant to the Group's financial information, have been published but are not yet effective, and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>5</sup>
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39 <sup>5</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2018

***HKFRS 9 (2014) Financial Instruments***

HKFRS 9 (2014) adds to the existing HKFRS 9. HKFRS 9 (2014) introduces new impairment requirement for all financial assets that are not measured at fair value through profit or loss and amendments to the previously finalised classification and measurement requirements.

**II. NOTES TO FINANCIAL INFORMATION (continued)****4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)***HKFRS 9 (2014) Financial Instruments (continued)*

A new “expected loss” impairment model in HKFRS 9 (2014) replaces the “incurred loss” model in HKAS 39 Financial Instruments: Recognition and Measurement. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. For trade receivables, there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases.

HKFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to give rise to payments that are Solely Payments of Principal and Interest (SPPI), one of the two criteria that need to be met for an asset to be measured at amortised cost, which may result in additional financial assets being measured at amortised cost.

A third measurement category has also been added for debt instruments – fair value through other comprehensive income which applies to debt instruments that meet the SPPI contractual cash flow characteristic test.

*HKFRS 15 Revenue from Contracts with Customers*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it prospectively from the date of initial application.

The Group is in the process of making an assessment of the potential impact of these new or amended HKFRSs and the directors of the Company (the “Directors”) so far concluded that the application of these new or amended HKFRSs will have no material impact on the Group’s financial statements.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the Financial Information and Comparative Financial Information are summarised below. These policies have been consistently applied to all the years/periods presented unless otherwise stated.

*Basis of consolidation*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

**II. NOTES TO FINANCIAL INFORMATION (continued)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Basis of consolidation (continued)*

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

*Subsidiaries*

A subsidiary is an entity (including a structured entity) controlled by the Company and/or its other subsidiaries. The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., the existing rights that give the Group the current ability to direct the relevant activities of the investee).

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control described above.

*Associates and joint ventures*

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

**II. NOTES TO FINANCIAL INFORMATION (continued)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Associates and joint ventures (continued)*

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

*Property, plant and equipment*

Property, plant and equipment, other than construction in progress ("CIP") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. 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. All other costs, such as repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

**II. NOTES TO FINANCIAL INFORMATION (continued)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Property, plant and equipment (continued)*

Depreciation on property, plant and equipment other than CIP is provided over their estimated useful lives, using the straight line method. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date. The useful lives are as follows:

Leasehold improvements	3 years or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	2 years
Lighting systems	5 years

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

CIP, which is stated at cost less impairment losses, representing lighting systems pending installation as well as cost incurred during the periods of installation and testing. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

*Revenue recognition*

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Leasing service income consists of:

- (i) operating lease rental income and is recognised on a time proportion basis over the period of lease term; or
- (ii) finance lease income and is recognised over the period of lease using the effective interest method.

Consultancy and management service income is recognised when services are rendered.

*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 lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

**II. NOTES TO FINANCIAL INFORMATION (continued)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Leasing (continued)***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.

*Intangible assets***(i) Acquired intangible assets**

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows.

Exclusive rights to use technical know-how

5 years

**(ii) Impairment**

At the end of the reporting periods, the Group reviews the carrying amounts of its intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount 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.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

*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 weighted-average basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand, form an integral part of the Group's cash management.

**II. NOTES TO FINANCIAL INFORMATION (continued)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Financial Instruments***(i) Financial assets**

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. 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.

***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 Loans and receivables***

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset 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.



**II. NOTES TO FINANCIAL INFORMATION (continued)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Financial Instruments (continued)***(ii) Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. 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 payables, accruals and other payables, dividends payable, amounts due to directors/a related company, finance lease obligations, and borrowings, 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.

***Equity instruments***

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit, to the extent that they are incremental costs directly attributable to the equity transaction.

***Equity-settled share-based payment transactions*****Share issued to other parties**

Share issued in exchange of goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the shares issued. The fair values of the goods or services received are recognised, with a corresponding increase in equity. If the fair value cannot be reliably estimated, it required to make reference to the fair value of the equity instruments.

***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.

***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.

**II. NOTES TO FINANCIAL INFORMATION (continued)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

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.

Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

Employee benefits – defined contributions

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

**II. NOTES TO FINANCIAL INFORMATION (continued)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- interests in joint ventures; and
- interests in associates.

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.

Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

Related parties

- (1) 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.
- (2) 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).

**II. NOTES TO FINANCIAL INFORMATION (continued)****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Related parties (continued)*

- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(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.

*Segment reporting*

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

Each of the operating segments is managed separately as each of the segments requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in this report prepared under HKFRS, except that:

- (i) finance costs;
- (ii) share of results of associates;
- (iii) share of results of joint ventures;
- (iv) income tax expense; and
- (v) corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets included all assets but interests in joint ventures, interests in associates, cash and cash equivalents, amounts due from associates and corporate assets. Corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities included all liabilities but tax liabilities, borrowings, finance lease obligations, amounts due to directors/a related company and corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

**II. NOTES TO FINANCIAL INFORMATION (continued)****6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the Directors are required to make judgments, 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Key sources of estimation uncertainty*

In addition to information disclosed elsewhere in these financial statements, other key sources estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

**Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Inventory value is reduced when the decision to markdown below cost is made. Management reassesses the estimations at the reporting date. The carrying amount of inventories is disclosed in note 20.

**Impairment of trade and other receivables**

The Group's management assesses the collectibility of trade and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date. The carrying amounts of trade and other receivables are disclosed in notes 21 and 22, respectively.

**Impairment of finance lease receivables**

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of finance lease receivables is disclosed in note 19.

**II. NOTES TO FINANCIAL INFORMATION (continued)****6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY (continued)**

*Key sources of estimation uncertainty (continued)*

**Depreciation**

The Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into use. The estimated useful lives reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amount of property, plant and equipment is disclosed in note 15.

**Estimated useful lives of intangible assets**

In assessing the estimated useful lives of the intangible assets, the Group takes into account factors like the expected usage of the assets by the Group based on past experience, the technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of the useful lives is a matter of judgment based on the experience of the Group. The carrying amount of intangible assets is disclosed in note 16.

**Impairment of non-financial assets**

The Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

**Fair value of intangible assets**

Intangible assets acquired separately by the Group during the Relevant Periods are initially recognised at fair value. The Group engaged independent professionally qualified valuers to perform the valuation of the intangible assets of the Group at the date of acquisition. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. The carrying amount of intangible assets of the Group was approximately HK\$1,348,000, HK\$578,000 and HK\$193,000 as at 31 March 2013, 2014 and 30 September 2014, respectively.

**Warranty provision**

The Group generally offers 2-3 years warranty for the lighting products during which free warranty service for the repair and maintenance of parts and components under normal usage is provided to the customers. The warranty provision provided during the Relevant Periods, depends on the product type, was based on the past experience of the failure rate of the products in the warranty service period. The carrying amount of warranty is disclosed in note 26.

**Income tax**

Determining income tax provisions requires the Group to make judgment on the tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. The carrying amount of provision for taxation is amounted to approximately HK\$13,151,000, HK\$13,801,000 and HK\$11,472,000 as at 31 March 2013, 2014 and 30 September 2014, respectively.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 7. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, financial information relating to these operations is reporting internally and is regularly reviewed by the executive directors, being the chief operating decision maker, based on the following segments:

- (1) Provision of leasing service of lighting systems;
- (2) Trading of lighting products; and
- (3) Provision of consultancy services on leasing service of lighting systems (“Consultancy service”).

Segment revenue below represents revenue from external customers. There were no inter-segment sales during the Relevant Periods.

	Leasing service of lighting systems	Trading of lighting products	Consultancy service	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 March 2013</b>				
<b>Revenue from external customers</b>	<u>8,672</u>	<u>27,179</u>	<u>34,992</u>	<u>70,843</u>
<b>Reportable segment profit</b>	<u>4,924</u>	<u>11,007</u>	<u>33,626</u>	<u>49,557</u>
<b>As at 31 March 2013</b>				
<b>Reportable segment assets</b>	<u>10,079</u>	<u>15,445</u>	<u>27,992</u>	<u>53,516</u>
<b>Reportable segment liabilities</b>	<u>2,033</u>	<u>6,059</u>	<u>10</u>	<u>8,102</u>
<b>Capital expenditure</b>	<u>3,716</u>	<u>–</u>	<u>–</u>	<u>3,716</u>
<b>Depreciation</b>	<u>1,954</u>	<u>–</u>	<u>–</u>	<u>1,954</u>
<b>Year ended 31 March 2014</b>				
<b>Revenue from external customers</b>	<u>10,020</u>	<u>42,059</u>	<u>27,856</u>	<u>79,935</u>
<b>Reportable segment profit</b>	<u>4,921</u>	<u>19,142</u>	<u>26,537</u>	<u>50,600</u>
<b>As at 31 March 2014</b>				
<b>Reportable segment assets</b>	<u>8,127</u>	<u>32,195</u>	<u>37,238</u>	<u>77,560</u>
<b>Reportable segment liabilities</b>	<u>1,311</u>	<u>7,313</u>	<u>48</u>	<u>8,672</u>
<b>Capital expenditure</b>	<u>1,087</u>	<u>–</u>	<u>–</u>	<u>1,087</u>
<b>Depreciation</b>	<u>2,480</u>	<u>–</u>	<u>–</u>	<u>2,480</u>

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 7. SEGMENT INFORMATION (continued)

	Leasing service of lighting systems	Trading of lighting products	Consultancy service	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 September 2013 (unaudited)</b>				
Revenue from external customers	<u>4,773</u>	<u>19,171</u>	<u>11,853</u>	<u>35,797</u>
Reportable segment profit	<u>2,920</u>	<u>9,261</u>	<u>11,325</u>	<u>23,506</u>
Capital expenditure	<u>775</u>	<u>–</u>	<u>–</u>	<u>755</u>
Depreciation	<u>1,256</u>	<u>–</u>	<u>–</u>	<u>1,256</u>
	Leasing service of lighting systems	Trading of lighting products	Consultancy service	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 September 2014</b>				
Revenue from external customers	<u>4,181</u>	<u>23,163</u>	<u>10,503</u>	<u>37,847</u>
Reportable segment profit	<u>2,092</u>	<u>9,981</u>	<u>10,119</u>	<u>22,192</u>
<b>As at 30 September 2014</b>				
Reportable segment assets	<u>10,588</u>	<u>30,998</u>	<u>27,190</u>	<u>68,776</u>
Reportable segment liabilities	<u>1,452</u>	<u>18,166</u>	<u>46</u>	<u>19,664</u>
Capital expenditure	<u>809</u>	<u>–</u>	<u>–</u>	<u>809</u>
Depreciation	<u>1,107</u>	<u>–</u>	<u>–</u>	<u>1,107</u>



## II. NOTES TO FINANCIAL INFORMATION (continued)

## 7. SEGMENT INFORMATION (continued)

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Financial Information and Comparative Financial Information as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Reportable segment profit	49,557	50,600	23,506	22,192
Unallocated corporate income	1,800	2,179	904	906
Unallocated corporate expenses	(17,894)	(17,330)	(7,691)	(5,797)
Finance costs	(223)	(231)	(219)	(3)
Share of results of associates	(4,384)	(4,198)	(2,067)	(1,971)
Share of results of joint ventures	—	—	—	—
Profit before income tax	<u>28,856</u>	<u>31,020</u>	<u>14,433</u>	<u>15,327</u>

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	53,516	77,560	68,776
Interests in joint ventures	—	—	—
Interests in associates	19,096	14,898	12,924
Cash and cash equivalents	7,313	3,202	1,209
Due from associates	1,117	3,711	1,903
Other corporate assets	4,671	4,481	4,894
Group assets	<u>85,713</u>	<u>103,852</u>	<u>89,706</u>

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Reportable segment liabilities	8,102	8,672	19,664
Borrowings	5,038	167	527
Finance lease obligations	7	—	—
Provision for taxation	13,151	13,801	11,472
Deferred tax liabilities	—	—	286
Due to a related company	732	53	221
Due to directors	4,775	—	—
Other corporate liabilities	2,360	46,089	10,634
Group liabilities	<u>34,165</u>	<u>68,782</u>	<u>42,804</u>

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 7. SEGMENT INFORMATION (continued)

The Group's revenue from external customers and non-current assets are divided into the following geographical areas:

	Revenue from external customers			
	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Hong Kong (domiciled)	45,170	42,873	17,831	15,825
Malaysia	4,080	5,859	5,859	–
Australia	8,190	3,853	3,853	6,855
Japan	10,065	23,594	6,665	14,884
Overseas (e.g. Thailand, Singapore, Fiji, The United States)	3,338	3,756	1,589	283
	<u>70,843</u>	<u>79,935</u>	<u>35,797</u>	<u>37,847</u>
	Non-current assets			
	As at 31 March		As at 30 September	
	2013	2014	2014	
	HK\$'000	HK\$'000	HK\$'000	
Hong Kong (domiciled)	<u>29,738</u>	<u>22,361</u>	<u>19,572</u>	

The geographical location of revenue allocated is based on the location at which the goods delivered and services provided. The geographical location of non-current assets is based on the physical location of the assets. The Company is an investment holding company where the Group has majority of its operation and workforce in Hong Kong, and therefore, Hong Kong is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenues. During each of the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, revenue derived from these customers are as follows:

	Revenue from external customers			
	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Customer A <sup>#</sup>	34,992	27,856	11,853	n/a
Customer B <sup>##</sup>	n/a	n/a	5,859	n/a
Customer C <sup>##</sup>	9,621	23,594	6,665	14,884
Customer D <sup>##</sup>	8,178	n/a	3,853	6,855
Customer E <sup>#</sup>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>10,503</u>

<sup>#</sup> Attributable to segment of Consultancy Service

<sup>##</sup> Attributable to segment of trading of lighting products

n/a Transactions during the year/period did not exceed 10% of the Group's revenue

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 8. REVENUE, OTHER INCOME AND GAINS

- (a) Revenue, which is also the Group's turnover, represents the income from trading of lighting products and provision of leasing and consultancy services. Revenue recognised during the Relevant Periods is as follows:

	Revenue from external customers			
	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Leasing service income	8,672	10,020	4,773	4,181
Trading of lighting products	27,179	42,059	19,171	23,163
Consultancy service income	34,992	27,856	11,853	10,503
	<u>70,843</u>	<u>79,935</u>	<u>35,797</u>	<u>37,847</u>

- (b) An analysis of the Group's other income and gains during the Relevant Periods is as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
<u>Other income</u>				
Management service income received from an associate	1,800	1,800	900	900
Others	–	137	–	89
	<u>1,800</u>	<u>1,937</u>	<u>900</u>	<u>989</u>
<u>Gains</u>				
Net foreign exchange gain	–	–	4	6
	<u>1,800</u>	<u>1,937</u>	<u>904</u>	<u>995</u>

## 9. FINANCE COSTS

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Interest expenses for financial liabilities carried at amortised cost:				
Interest on finance leases	1	–	–	–
Interest on loans and import loans wholly repayable within five years	131	162	151	3
	<u>132</u>	<u>162</u>	<u>151</u>	<u>3</u>
Transaction costs on import loans	91	69	68	–
	<u>223</u>	<u>231</u>	<u>219</u>	<u>3</u>

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Auditor's remuneration	330	340	–	–
Amortisation of intangible assets (included in cost of sales)	770	770	385	385
Cost of inventories sold	14,024	22,072	9,059	12,810
Depreciation of property, plant and equipment	2,161	2,534	1,286	1,133
Employee benefit expenses (including directors' remuneration (note 11))				
– salaries and welfare	5,010	5,230	2,545	2,424
– defined contributions	214	225	110	104
	5,224	5,455	2,655	2,528
Warranty provision, net of reversal	480	296	323	165
Bad debts written off	19	222	–	–
Losses on disposals of property, plant and equipment	75	385	–	315
Net foreign exchange loss/(gain)	108	2	(4)	(6)
Listing expenses	5,528	5,609	2,921	1,463
Minimum lease payments under operating leases in respect of offices, warehouses, motor vehicle licences and an office equipment	1,354	1,686	847	886

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) *Directors' remuneration*

The remuneration of each of the directors for the Relevant Periods is set out below:

	Fees	Salaries, allowances and benefits in kind	Defined contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 March 2013</b>				
<i>Executive directors:</i>				
Lam Chung Ho, Alastair (note (i))	–	240	12	252
Wong Man Fai, Mansfield	–	240	12	252
Lam Arthur	–	360	15	375
Total	–	<u>840</u>	<u>39</u>	<u>879</u>
<b>Year ended 31 March 2014</b>				
<i>Executive directors:</i>				
Wong Man Fai, Mansfield	–	240	12	252
Lam Arthur	–	360	15	375
	–	<u>600</u>	<u>27</u>	<u>627</u>
<i>Non-executive director:</i>				
Lam Chung Ho, Alastair (note (i))	–	240	12	252
Total	–	<u>840</u>	<u>39</u>	<u>879</u>
<b>Six months ended 30 September 2013 (unaudited)</b>				
<i>Executive directors:</i>				
Lam Chung Ho, Alastair	–	120	6	126
Wong Man Fai, Mansfield	–	120	6	126
Lam Arthur	–	180	8	188
Total	–	<u>420</u>	<u>20</u>	<u>440</u>
<b>Six months ended 30 September 2014</b>				
<i>Executive directors:</i>				
Wong Man Fai, Mansfield	–	150	8	158
Lam Arthur	–	150	7	157
	–	<u>300</u>	<u>15</u>	<u>315</u>
<i>Non-executive director:</i>				
Lam Chung Ho, Alastair (note (i))	–	–	–	–
Total	–	<u>300</u>	<u>15</u>	<u>315</u>

Notes:

- (i) Pursuant to resolution entered on 10 March 2014, Mr. Alastair Lam was redesignated as a non-executive director of the Company with effect from 10 March 2014.
- (ii) The independent non-executive directors were appointed with effect from 5 March 2015 and have not received any emoluments during the Relevant Periods.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) *Five highest paid individuals*

The five highest paid individuals of the Group included 1 director for the year ended 31 March 2014 (Six months ended 30 September 2013 (unaudited): 1), respectively, whose emoluments are reflected in note (a). No director is included in the five highest paid individuals for the year ended 31 March 2013 and the six months ended 30 September 2014.

The analysis of the emolument of the remaining 5, 4 and 5 highest paid individuals for years ended 31 March 2013, 2014 and the six months ended 30 September 2014 (Six months ended 30 September 2013 (unaudited): 4), respectively, whose remuneration fell within the band of nil to HK\$1,000,000, are set out below:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Salaries, allowances and benefits in kind	1,917	1,596	774	1,081
Defined contributions	70	58	29	38
	<u>1,987</u>	<u>1,654</u>	<u>803</u>	<u>1,119</u>

(c) During the Relevant Periods, no director or any of the highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 12. INCOME TAX EXPENSE

(a) *Income tax*

Hong Kong profits tax is provided at 16.5% on the estimated assessable profits in the Relevant Periods, where the profits arising in or derived from Hong Kong that the Group is domiciled and operates. The amount of taxation in the consolidated statements of comprehensive income during the Relevant Periods represents:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Current tax				
– Hong Kong profits tax	6,794	7,482	3,354	3,206
Deferred tax				
– charged to profit or loss	–	–	–	286
Income tax expense	<u>6,794</u>	<u>7,482</u>	<u>3,354</u>	<u>3,492</u>

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 12. INCOME TAX EXPENSE (continued)

(a) *Income tax (continued)*

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Profit before income tax	<u>28,856</u>	<u>31,020</u>	<u>14,433</u>	<u>15,327</u>
Tax at statutory tax rate of 16.5%	4,761	5,118	2,381	2,529
Effect of share of results of associates	723	693	341	325
Effect of non-deductible expenses	1,452	1,379	559	323
Effect of temporary differences	(132)	302	73	315
Tax concession	<u>(10)</u>	<u>(10)</u>	<u>–</u>	<u>–</u>
Income tax expense	<u><u>6,794</u></u>	<u><u>7,482</u></u>	<u><u>3,354</u></u>	<u><u>3,492</u></u>

(b) *Deferred tax*

Details of the deferred tax liabilities recognised and movements in the Relevant Periods:

	Accelerated tax depreciation
	HK\$'000
At 1 April 2012, 31 March 2013, 1 April 2013, 31 March 2014 and 1 April 2014	–
Charged to profit or loss for the period	<u>286</u>
At 30 September 2014	<u><u>286</u></u>

*Company*

No provision of Hong Kong profits tax has been provided by the Company as the Company did not derive any assessable profits during the years ended 31 March 2013, 2014 and the six months ended 30 September 2014.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 13. DIVIDENDS

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Special interim dividends	<u>25,004</u>	<u>40,016</u>	—	—

Special interim dividends of approximately HK\$25,004,000 and HK\$40,016,000, represented dividends of HK\$1,106.0 and HK\$1,770.0 per share, paid by Synergy Worldwide to its then equity owners during the years ended 31 March 2013 and 2014, respectively.

## 14. EARNINGS PER SHARE

The calculations of basic earnings per share for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014 are based on the profit attributable to owners of the Company of approximately HK\$22,062,000, HK\$23,538,000 and HK\$11,835,000, respectively (Six months ended 30 September 2013 (unaudited): HK\$11,079,000), and on the 415,000,000 ordinary shares issuable (being the number of shares of the Company prior to the listing of the Company's shares on the Stock Exchange) as if these shares had been issued throughout the Relevant Periods.

No diluted earnings per share is presented as the Group had no potential ordinary shares during the Relevant Periods.



## II. NOTES TO FINANCIAL INFORMATION (continued)

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and office equipment	Lighting systems	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012					
Cost	751	164	9,037	95	10,047
Accumulated depreciation	(559)	(128)	(1,983)	–	(2,670)
Net book amount	<u>192</u>	<u>36</u>	<u>7,054</u>	<u>95</u>	<u>7,377</u>
Year ended 31 March 2013					
Opening net book amount	192	36	7,054	95	7,377
Additions	–	30	–	3,716	3,746
Transfer in/(out)	–	–	2,818	(2,818)	–
Disposals	–	–	(92)	–	(92)
Depreciation	(175)	(32)	(1,954)	–	(2,161)
Closing net book amount	<u>17</u>	<u>34</u>	<u>7,826</u>	<u>993</u>	<u>8,870</u>
At 31 March 2013 and 1 April 2013					
Cost	751	194	11,679	993	13,617
Accumulated depreciation	(734)	(160)	(3,853)	–	(4,747)
Net book amount	<u>17</u>	<u>34</u>	<u>7,826</u>	<u>993</u>	<u>8,870</u>
Year ended 31 March 2014					
Opening net book amount	17	34	7,826	993	8,870
Additions	–	28	–	1,087	1,115
Transfer in/(out)	–	–	1,242	(1,242)	–
Reclassification	–	–	(188)	(471)	(659)
Disposals	–	–	(385)	–	(385)
Depreciation	(17)	(37)	(2,480)	–	(2,534)
Closing net book amount	<u>–</u>	<u>25</u>	<u>6,015</u>	<u>367</u>	<u>6,407</u>
At 31 March 2014 and 1 April 2014					
Cost	751	222	10,961	367	12,301
Accumulated depreciation	(751)	(197)	(4,946)	–	(5,894)
Net book amount	<u>–</u>	<u>25</u>	<u>6,015</u>	<u>367</u>	<u>6,407</u>
Six months ended 30 September 2014					
Opening net book amount	–	25	6,015	367	6,407
Additions	183	39	–	809	1,031
Transfer in/(out)	–	–	410	(410)	–
Reclassification	–	–	(108)	(101)	(209)
Disposals	–	–	(315)	–	(315)
Depreciation	(8)	(18)	(1,107)	–	(1,133)
Closing net book amount	<u>175</u>	<u>46</u>	<u>4,895</u>	<u>665</u>	<u>5,781</u>
At 30 September 2014					
Cost	183	224	10,161	665	11,233
Accumulated depreciation	(8)	(178)	(5,266)	–	(5,452)
Net book amount	<u>175</u>	<u>46</u>	<u>4,895</u>	<u>665</u>	<u>5,781</u>

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 16. INTANGIBLE ASSETS

	HK\$'000
At 1 April 2012	
Cost	3,851
Accumulated amortisation	<u>(1,733)</u>
Net book amount	<u>2,118</u>
Year ended 31 March 2013	
Opening net book amount	2,118
Amortisation	<u>(770)</u>
Closing net book amount	<u>1,348</u>
At 31 March 2013 and 1 April 2013	
Cost	3,851
Accumulated amortisation	<u>(2,503)</u>
Net book amount	<u>1,348</u>
Year ended 31 March 2014	
Opening net book amount	1,348
Amortisation	<u>(770)</u>
Closing net book amount	<u>578</u>
At 31 March 2014 and 1 April 2014	
Cost	3,851
Accumulated amortisation	<u>(3,273)</u>
Net book amount	<u>578</u>
Six months ended 30 September 2014	
Opening net book amount	578
Amortisation	<u>(385)</u>
Closing net book amount	<u>193</u>
At 30 September 2014	
Cost	3,851
Accumulated amortisation	<u>(3,658)</u>
Net book amount	<u>193</u>

The Group's intangible assets represented the exclusive rights to use some technical know-how of the lighting products and amortisation is provided on a straight-line basis over the estimated useful lives of 5 years. During the year ended 31 March 2010, the Group entered into agreement with an independent third party for purchase of intangible assets with an aggregate consideration comprising of cash consideration amounted to HK\$1,600,000 and allotment of class A ordinary shares of Synergy Worldwide.

The Group's intangible assets are valued on a fair value basis at the time of purchase by external independent valuer. Fair value was estimated by the relief-from-royalty approach by taking into account the future economic benefits (i.e. future royalties) throughout economic life to its present value.

As at the reporting dates, the Directors have performed impairment review for the intangible assets are in the opinion that no impairment is recognised.

II. NOTES TO FINANCIAL INFORMATION (continued)  
 17. INTERESTS IN JOINT VENTURES

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
At beginning of the year/period	—	—	—
Cost of unlisted investment*	—	—	—
Share of post-acquisition losses	—	—	—
At end of the year/period	—	—	—

\* Synergy Mexico (as below-mentioned), a company was incorporated in Hong Kong with paid-up capital of HK\$10,000 on 2 December 2010. Accordingly the Group shared its investment cost of HK\$5,500 during the year ended 31 March 2011. The Group has discontinued recognition its share of losses of joint ventures since year ended 31 March 2012.

Particulars of the joint ventures, which are accounted for using the equity method in the Financial Information and Comparative Financial Information, are as follows:

Name of companies	Form of entity	Place and date of incorporation	Ownership interest	Profit sharing	Principal activities
Synergy Lighting (Mexico) Limited ("Synergy Mexico")	Limited liability	Hong Kong 2 December 2010	55%	55%	Investment holding
LNG Synergy S.A.DE C.V. ("LNG Synergy")	Limited liability	Mexico 27 May 2011	54.99%	54.99%	Provision of energy saving solution

Despite the Group's holding of 55% and 54.99% interest in Synergy Mexico and LNG Synergy, respectively, the Directors have confirmed that neither the Group nor other shareholder of the joint ventures has unilateral control over the operating and financing decisions of the joint ventures in accordance with the joint venture agreement. Accordingly, the Directors consider it is appropriate to account for the Group's interests therein as joint ventures.

LNG Synergy was incorporated in Mexico as an operating vehicle of Synergy Mexico to focus on the provision of energy saving solution in the region of Mexico. The Group granted the exclusive rights to use, market, promote and sell the Group's energy saving lighting products and services in Mexico to LNG Synergy.

Synergy Mexico and LNG Synergy are unlisted corporate entities whose quoted market price is not available.

As at 31 March 2013, 2014 and 30 September 2014, the Group has no outstanding investment in the joint ventures.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 17. INTERESTS IN JOINT VENTURES (continued)

The aggregate summarised financial information of the joint ventures that are not individually material extracted from management accounts prepared in accordance with HKFRS is set out below:

	As at 31 March		As at 30 September	
	2013	2014	2014	
	HK\$'000	HK\$'000	HK\$'000	
Aggregate carrying amount of interests in immaterial joint ventures	=	=	=	
	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Aggregate amounts of the share of immaterial joint ventures:				
Loss from continuing operations	(32)	(54)	(27)	(26)
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	<u>(32)</u>	<u>(54)</u>	<u>(27)</u>	<u>(26)</u>

The Group has discontinued recognition its share of losses of joint ventures. The amounts of unrecognised share of losses, both for the year/period and cumulatively, are as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Unrecognised share of losses of joint ventures for the year/period	<u>32</u>	<u>54</u>	<u>27</u>	<u>26</u>
Accumulated unrecognised share of losses of joint ventures	<u>85</u>	<u>139</u>	<u>112</u>	<u>165</u>

On 17 October 2014, Synergy Worldwide disposed of its entire investment in Synergy Mexico to another joint venture partner at a consideration of HK\$1.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 18. INTERESTS IN ASSOCIATES

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
At beginning of the year/period	23,480	19,096	14,898
Share of post-acquisition losses and other comprehensive income	(4,384)	(4,198)	(1,974)
Share of net assets	<u>19,096</u>	<u>14,898</u>	<u>12,924</u>

The amounts due from/to associates are unsecured, interest-free and repayable on demand.

Particulars of the associates, which are accounted for using the equity method in the Financial Information and Comparative Financial Information, are as follows:

Name of companies	Place and date of incorporation	Issued and fully paid up share capital	Percentage of equity interest attributable to the Company	Principal activities
Synergy Cooling Management Limited ("Synergy Cooling")	BVI 1 April 2011	US\$18,400	27.17%	Investment holding
Synergy Cooling Management (H.K.) Limited ("Synergy Cooling HK")	Hong Kong 21 April 2011	HK\$1	27.17%	Leasing and maintenance services of cooling systems
Synergy Cooling Management (Malaysia) Limited ("Synergy Cooling Malaysia (BVI)")	BVI 11 November 2013	US\$100	27.17%	Investment holding
Synergy ESCO (Malaysia) Sdn. Bhd. ("Synergy ESCO (Malaysia)")	Malaysia 17 April 2014	Malaysian Ringgit ("RM") 100	27.17%	Provision of cooling management systems solutions
Synergy Cooling ESCO (HK) Limited ("Synergy ESCO (HK)")	Hong Kong 11 June 2014	HK\$1	27.17%	Provision of energy management systems solutions

Synergy Cooling, Synergy Cooling HK, Synergy Cooling Malaysia (BVI), Synergy ESCO (Malaysia) and Synergy ESCO (HK) are unlisted corporate entities whose quoted market price is not available.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 18. INTERESTS IN ASSOCIATES (continued)

The summarised financial information of the material associates extracted from management accounts prepared in accordance with HKFRS is set out below:

**Synergy Cooling**

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	77,167	66,400	61,016
Current assets	4,887	4,791	4,747
Current liabilities	(1,519)	(1,520)	(1,520)
Non-current liabilities	—	—	—

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Revenue	—	—	—	—
Loss from continuing operations	(10,959)	(10,864)	(5,436)	(5,428)
Post-tax profit or loss from discontinued operation	—	—	—	—
Other comprehensive income	—	—	—	—
Total comprehensive income	(10,959)	(10,864)	(5,436)	(5,428)
Dividends received from Synergy Cooling	—	—	—	—

Reconciliation to the Group's interests in associates:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Net assets of Synergy Cooling	80,535	69,671	64,243
Percentage of equity interest attributable to the Group	27.17%	27.17%	27.17%
Carrying amount of the Group's interests in associates	21,884	18,932	17,457

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 18. INTERESTS IN ASSOCIATES (continued)

## Synergy Cooling HK

	As at 31 March		As at 30 September	
	2013	2014	2014	
	HK\$'000	HK\$'000	HK\$'000	
Non-current assets	551	561	516	
Current assets	2,153	2,742	3,000	
Current liabilities	(12,963)	(18,148)	(20,107)	
Non-current liabilities	—	—	—	
	<u>          </u>	<u>          </u>	<u>          </u>	
	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Revenue	3,880	4,176	2,443	2,016
Loss from continuing operations	(5,172)	(4,586)	(2,171)	(1,746)
Post-tax profit or loss from discontinued operation	—	—	—	—
Other comprehensive income	—	—	—	—
Total comprehensive income	(5,172)	(4,586)	(2,171)	(1,746)
Dividends received from Synergy Cooling HK	—	—	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Reconciliation to the Group's interests in associates:

	As at 31 March		As at 30 September	
	2013	2014	2014	
	HK\$'000	HK\$'000	HK\$'000	
Net liabilities of Synergy Cooling HK	(10,259)	(14,845)	(16,591)	
Percentage of equity interest attributable to the Group	27.17%	27.17%	27.17%	
Carrying amount of the Group's interests in associates	<u>(2,788)</u>	<u>(4,034)</u>	<u>(4,508)</u>	

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 18. INTERESTS IN ASSOCIATES (continued)

The aggregate summarised financial information of the associates that are not individually material extracted from management accounts prepared in accordance with HKFRS is set out below:

	As at 31 March		As at 30 September	
	2013	2014	2014	
	HK\$'000	HK\$'000	HK\$'000	
Aggregate carrying amount of interests in immaterial associates	–	–	<u>(25)</u>	
	–	–		
	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Aggregate amounts of the share of immaterial associates:				
Loss from continuing operations	–	–	–	(22)
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	(3)
Total comprehensive income	–	–	–	<u>(25)</u>
	–	–	–	



## II. NOTES TO FINANCIAL INFORMATION (continued)

## 19. FINANCE LEASE RECEIVABLES

The Group provides financial leasing service of lighting products in Hong Kong. The Group's finance lease receivables as at reporting dates are as follows:

	Minimum lease payments			Present values of minimum lease payments		
	As at 31 March		As at 30 September	As at 31 March		As at 30 September
	2013	2014	2014	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	–	465	638	–	231	424
In the second to fifth years, inclusive	–	576	601	–	478	518
	–	1,041	1,239	–	709	942
Less: Unearned finance lease income	–	(332)	(297)	n/a	n/a	n/a
Present value of minimum lease payments	–	709	942	–	709	942
Analysed for reporting purposes as:						
– Current assets				–	231	424
– Non-current assets				–	478	518
				–	709	942

The effective interest rates of the Group's finance leases are ranging from 6% to 53% and 6% to 68% per annum for the year ended 31 March 2014 and the six months ended 30 September 2014, respectively. There are no unguaranteed residual values of assets under finance leases. Finance lease receivables are secured over the lighting products. No contingent rent arrangements were made in the Relevant Periods.

Finance lease receivables amounted to approximately HK\$709,000 attributable to Synergy Lighting as at 31 March 2014 were subject to the Deed of Charge as detailed in note 27(b).

## 20. INVENTORIES

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Finished goods	389	405	305

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 21. TRADE RECEIVABLES

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Trade receivables, net	<u>44,139</u>	<u>69,897</u>	<u>58,977</u>

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from cash on delivery to 180 days. The Directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Based on invoices date, ageing analysis of the Group's trade receivables as at the reporting dates is as follows:

	At as 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	15,152	25,040	17,608
31 to 90 days	5,461	906	7,721
91 to 180 days	17,533	9,587	7,771
181 to 365 days	5,987	23,929	20,875
Over 365 days	<u>6</u>	<u>10,435</u>	<u>5,002</u>
	<u>44,139</u>	<u>69,897</u>	<u>58,977</u>

Ageing analysis of the Group's trade receivables as at the reporting dates that are not impaired is as follows:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	22,967	16,467	10,990
1 to 30 days past due	6,686	20,705	22,880
31 to 90 days past due	13,732	753	7,573
91 to 180 days past due	389	13,567	7,665
181 to 365 days past due	361	17,352	5,562
Over 365 days past due	<u>4</u>	<u>1,053</u>	<u>4,307</u>
	<u>44,139</u>	<u>69,897</u>	<u>58,977</u>

At each of the reporting dates, the Group's trade receivables are individually determined for impairment testing. The Group's trade receivables as at the reporting dates that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 21. TRADE RECEIVABLES (continued)

trade receivables that were past due but not impaired under review are of good credit quality. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly. During the years ended 31 March 2013 and 2014, the Group has determined trade receivables of approximately HK\$19,000 and HK\$222,000 respectively (note 10) as irrecoverable and written off. There was no written-off of trade receivables for the six months ended 30 September 2014.

Included in the Group's trade receivables are amounts due from four related companies, in which Mr. Alastair Lam's close relatives are the major shareholders and the key management personnel, with aggregate receivables, of approximately HK\$379,000, HK\$338,000 and HK\$380,000 as at 31 March 2013, 2014 and 30 September 2014, respectively. The credit terms offered to those related companies are ranging from cash on delivery to 30 days.

The maximum amount due from these four related companies during the year ended 31 March 2013, individually amounted to approximately HK\$220,000, HK\$589,000, HK\$9,000 and HK\$33,000.

The maximum amount due from these four related companies during the year ended 31 March 2014, individually amounted to approximately HK\$136,000, HK\$620,000, nil and HK\$42,000.

The maximum amount due from these four related companies during the six months ended 30 September 2014, individually amounted to approximately HK\$134,000, HK\$498,000, nil and HK\$33,000.

Included in the Group's trade receivables is the trading amount due from a joint venture, LNG Synergy, of approximately HK\$194,000 as at 31 March 2013, 2014 and 30 September 2014 and the credit term offered to LNG Synergy is cash on delivery. The maximum amount due from LNG Synergy during the years ended 31 March 2013, 2014 and the six months ended 30 September 2014 amounted to approximately HK\$194,000.

Included in trade receivables are the following amounts denominated in currencies other than the functional currencies:

	As at 31 March		As at
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
			HK\$'000
US\$	14,649	31,412	30,462
Thailand Baht	13	13	13

During the year ended 31 March 2013, the Group has obtained a banking facilities of HK\$8,000,000 which was certified with Deed of Charge as below mentioned in note 27(b). Accordingly, all the Group's trade receivables of approximately HK\$44,139,000 and HK\$69,897,000 as at 31 March 2013 and 2014, respectively, were subject to the Deed of Charge. The details of the banking facilities are set out in note 27(b).

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at 31 March		As at
		2013	2014	30 September
		HK\$'000	HK\$'000	2014
Deposits		226	767	3,526
Prepayments		1,836	1,791	2,058
Other receivables	(a)	955	1,487	1,732
		<u>3,017</u>	<u>4,045</u>	<u>7,316</u>

Note:

- (a) Included in the Group's other receivables are non-trading amount due from Synergy Mexico, of approximately HK\$90,000, HK\$199,000 and HK\$199,000 as at 31 March 2013, 2014 and 30 September 2014, respectively.

Deposits, prepayments and other receivables amounted to approximately HK\$396,000 and HK\$1,702,000 attributable to Synergy Lighting as at 31 March 2013 and 2014, respectively, were subject to the Deed of Charge as detailed in note 27(b).

## 23. DUE FROM/(TO) DIRECTORS/A RELATED COMPANY/ASSOCIATES

The balances were unsecured, interest free, and repayable on demand.

- (a) Amounts due from associates of approximately HK\$1,117,000, HK\$3,711,000 and HK\$1,903,000 as at 31 March 2013, 2014 and 30 September 2014, respectively, represented the net outstanding balances with the associate group of Synergy Cooling. The amount due from Synergy Cooling HK of approximately HK\$2,517,000 and HK\$4,511,000 attributable to Synergy Lighting as at 31 March 2013 and 2014, respectively, was subject to the Deed of Charge as detailed in note 27(b).
- (b) Amount due to a related company of approximately HK\$732,000, HK\$53,000 and HK\$221,000 as at 31 March 2013, 2014 and 30 September 2014, respectively, representing the outstanding payables of computer software consultancy service to a related company as detailed in note 34(a)(iv), wholly owned by Mr. Mansfield Wong.
- (c) As at 31 March 2013, the balance of approximately HK\$4,775,000 were due to directors, of which have been fully settled during the year ended 31 March 2014.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 24. CASH AND CASH EQUIVALENTS

The Group's bank balances of approximately HK\$7,305,000 and HK\$3,187,000, attributable to Synergy Lighting, were subject to the Deed of Charge of banking facilities as at 31 March 2013 and 2014, respectively. The details of the banking facilities are set out in note 27(b).

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currencies:

	As at 31 March		As at
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
US\$	–	1	3
	=	=	=

The Group's cash at banks earns interest at floating rates based on daily bank deposit rates.

## 25. TRADE PAYABLES

Ageing analysis of trade payables as at the reporting dates is as follows:

	As at 31 March		As at
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
0 to 30 days	2,065	3,065	3,830
31 to 90 days	2,050	32	3,823
91 to 180 days	739	2,733	3,839
Over 180 days	5	7	2,773
	<u>4,859</u>	<u>5,837</u>	<u>14,265</u>

During the Relevant Periods, the Group made purchase with various manners, operating on cash on delivery, payment in advance terms, or granted with credit term of 30 days.

Included in trade payables are the following amounts denominated in currencies other than the functional currencies:

	As at 31 March		As at
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
Renminbi ("RMB")	4,212	3,161	11,603
US\$	<u>629</u>	<u>–</u>	<u>–</u>

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 26. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Notes	As at 31 March		As at
				30 September
		2013	2014	2014
		HK\$'000	HK\$'000	HK\$'000
Current liabilities:				
Accruals		688	3,019	3,526
Other payables	(a)	2,173	3,256	4,353
Warranty provision	(b)	630	904	1,043
Deposits received		1,056	1,156	3,786
		<u>4,547</u>	<u>8,335</u>	<u>12,708</u>
Non-current liabilities:				
Deposits received		<u>1,056</u>	<u>573</u>	<u>353</u>

## Notes:

- (a) Included in the Group's other payables are outstanding amount of approximately HK\$6,000, HK\$30,000 and HK\$135,000 due to a shareholder company of Synergy Worldwide as at 31 March 2013, 2014 and 30 September 2014, respectively. The amount is unsecured, interest-free and repayable on demand.

Included in the Group's other payables are outstanding amount of approximately HK\$17,000 as at 30 September 2014 due to a related company, in which Mr. Arthur Lam's close relative is a shareholder. The amount is unsecured, interest-free and repayable on demand. The amount due to the related company as at 30 September 2014 has been fully settled in October 2014 after the Relevant Periods.

- (b) The movements in the warranty provision are as follows:

	As at 31 March		As at
			30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year/period	161	630	904
Provision for the year/period	480	432	254
Unused amounts reversed	–	(136)	(89)
Amounts utilised	<u>(11)</u>	<u>(22)</u>	<u>(26)</u>
	<u>630</u>	<u>904</u>	<u>1,043</u>

The Group records its warranty liability at the time of sales rendered based on estimated costs. Warranty claims are reasonably predictable based on historical failure rate information. The warranty provision is reviewed yearly to verify it properly reflects the outstanding obligation over the warranty period.

II. NOTES TO FINANCIAL INFORMATION (continued)  
27. BORROWINGS

	Notes	As at 31 March		As at
		2013	2014	30 September
		HK\$'000	HK\$'000	2014
		HK\$'000	HK\$'000	HK\$'000
Unsecured bank loans, with guarantees:				
– Amounts payable within one year	(a)	250	167	42
– Amounts repayable after one year but contain a repayable on demand clause		167	–	–
		<u>417</u>	<u>167</u>	<u>42</u>
Secured import loans, with guarantees:				
Amounts payable within one year	(b)	4,621	–	–
Unsecured other loans, without guarantees:				
Amounts payable within one year	(c)	–	–	101
Current liabilities		<u>5,038</u>	<u>167</u>	<u>143</u>
Unsecured other loans, without guarantees:				
Amounts payable in second to fifth year	(c)	–	–	384
Non-current liabilities		<u>–</u>	<u>–</u>	<u>384</u>

## Notes:

- (a) The Group entered into a bank loan agreement with a bank which give the bank the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. The interest rate offered by the bank is the prime rate or Hong Kong Interbank Offer Rate plus 3% to 4.125% per annum, whichever higher is applicable. The Group's interest-bearing bank borrowings bore interest rate of 5.25% for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014.

The bank borrowings are jointly and severally guaranteed with subordination amount of HK\$7,500,000 by Mr. Alastair Lam and Mr. Arthur Lam (collectively the "Personal Guarantees"), the directors of the Company.

Following the cancellation of the bank loan agreement in November 2014, the Personal Guarantees have been released thereafter.

- (b) The Group obtained banking facilities of HK\$8,000,000 from a bank under SME Financing Guarantee Scheme operated by The Hong Kong Mortgage Corporation Limited ("HKMC") ("SME Banking Facilities") including letter of credits, trust receipts, account payable financing and packing loan. The SME Banking Facilities was guaranteed by HKMC for an amount of HK\$6,400,000 with risk sharing factor of 80% (the "HKMC Guarantee"). In addition, the SME Banking Facilities are under (i) personal guarantee executed by Mr. Alastair Lam, Mr. Arthur Lam and Mr. Mansfield Wong, the directors of the Company (collectively the "HKMC Personal Guarantees"); and (ii) deed of charge over receivables of Synergy Lighting, a wholly-owned subsidiary of the Company (collectively the "Deed of Charge"), which certified in favour of a bank, and (iii) deed of subordination of HK\$2,600,000 executed by Synergy Lighting and Synergy Worldwide.

The Deed of Charge was certified in August 2012 and created by Synergy Lighting in favour of a bank upon the negotiation of the SME Banking Facilities. The Deed of Charge was valid as at 31 March 2013 and 2014. According to the terms stated in the Deed of Charge, in the opinion of the Directors, where applicable to Synergy Lighting as consulted and acknowledged with the bank, the Deed of Charge included all Synergy Lighting's existing and future book debts, moneys, and receivables of any nature. Accordingly, all trade receivables of approximately HK\$44,139,000 (note 21), rental deposits of approximately

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 27. BORROWINGS (continued)

HK\$424,000, certain of deposits, prepayments and other receivables of approximately HK\$396,000 (note 22) and amounts due from Synergy Cooling HK and Synergy Lighting (China) Limited ("Synergy (China)"), a fellow subsidiary of Synergy Lighting, of approximately HK\$2,517,000 (note 23(a)) and HK\$317,000, respectively, as attributable to Synergy Lighting, and the bank balances of approximately HK\$7,305,000 (note 24) as at 31 March 2013 were subject to the Deed of Charge.

All trade receivables of approximately HK\$69,897,000 (note 21), finance lease receivables of approximately HK\$709,000 (note 19), certain of deposits, prepayments and other receivables of approximately HK\$1,702,000 (note 22) and amount due from Synergy Cooling HK of approximately HK\$4,511,000 (note 23(a)), as attributable to Synergy Lighting, and the bank balances of approximately HK\$3,187,000 (note 24) as at 31 March 2014 were subject to the Deed of Charge.

The SME Banking Facilities include clauses which give the bank the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. The secured import loan bore interest rate of 1% per annum over the bank's prime lending rate, subject to fluctuation and change from time to time at the bank's discretion, where the prime lending rate is 5.25% per annum during the years ended 31 March 2013 and 2014. All the secured import loans were due within 90 days.

The SME Banking Facilities amounting to HK\$8,000,000, of which approximately HK\$4,621,000 has been utilised as at 31 March 2013.

The SME Banking Facilities and the HKMC Guarantee have been cancelled with effect from 18 November 2013 and the Deed of Charge has been released in July 2014.

Following the cancellation of the SME Banking Facilities, the HKMC Personal Guarantees have been released thereafter.

- (c) During the six months ended 30 September 2014, the Group obtained a loan from an independent third party amounting to HK\$485,000. The loan bore interest rate of 3.45% for the six months ended 30 September 2014.
- (d) Based on the schedule repayment dates set out in the bank loan and other loan agreements as mentioned in (a) and (c), the borrowings are repayable as follows:

	As at 31 March		As at
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
Within one year	250	167	143
In the second year	167	—	121
In the third to fifth year	—	—	263
	<u>417</u>	<u>167</u>	<u>527</u>

As at 31 March 2013 and 2014, approximately HK\$26,000 and HK\$11,000 of the Group's corporate credit cards limit of HK\$50,000 had been utilised, respectively. As at 30 September 2014, approximately HK\$12,000 of the Group's corporate credit cards limit of HK\$100,000 had been utilised. The corporate credit cards are guaranteed by Mr. Alastair Lam.



## II. NOTES TO FINANCIAL INFORMATION (continued)

## 28. FINANCE LEASE OBLIGATIONS

As at 31 March 2013, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments	Present values of minimum lease payments
	As at 31 March	As at 31 March
	2013	2013
	HK\$'000	HK\$'000
Within one year	7	7
In the second to fifth years, inclusive	—	—
	7	7
Less: future finance charges	—	n/a
Present value of lease obligations	7	7
	=	=
Less: Amount due for settlement within 12 months (shown under current liabilities)		(7)
Amount due for settlement after 12 months		—
		=

The Group leases an office equipment under finance leases. The lease term is 5 years, with effective interest rate of approximately 5% in the Relevant Periods. The Group has fully settled the finance lease obligations during the year ended 31 March 2014. No arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the charge over the leased asset.

## 29. SHARE CAPITAL

The Company was incorporated in Cayman Islands on 14 December 2011 with an authorised share capital of HK\$380,000 divided into 380,000 shares of par value of HK\$1.00 each. One share of HK\$1.00 in the share capital was issued and allotted nil paid to Codan Trust Company (Cayman) Limited and such nil-paid subscriber share was transferred to Mr. Alastair Lam on 14 December 2011. On the same day, the Company issued and allotted 99 shares of HK\$1.00 each nil paid to Mr. Alastair Lam.

On 5 March 2015, each ordinary share of HK\$1.00 in the issued and unissued share capital of the Company was divided into 100 ordinary shares of HK\$0.01 each, such that the authorised share capital of the Company became HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each, out of which 10,000 shares have been issued nil paid and held by Mr. Alastair Lam.

For the purpose of this report, the share capital presented as at 31 March 2013, 2014 and 30 September 2014 represented the share capital of Synergy Worldwide.

Synergy Worldwide was incorporated in the BVI with limited liability on 8 August 2008. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each.

On 18 December 2009, the authorised share capital of Synergy Worldwide was changed by a written resolution of Synergy Worldwide, whereby Synergy Worldwide reclassified its share capital in two classes, class A ordinary shares and class B ordinary shares, all existing issued shares of Synergy Worldwide were re-designated as class A ordinary shares. As a result, Synergy Worldwide was then authorised to issue a maximum of 50,000 shares comprising of 47,625 class A ordinary shares and 2,375 class B ordinary shares.

According to the Memorandum of Association and Articles of Association ("M&A") of Synergy Worldwide, Synergy Worldwide has two classes of shares, namely (i) class A ordinary shares and (ii) class B ordinary shares. The holder of a class B ordinary share shall have the option to request Synergy Worldwide to redeem such class B ordinary share for a certain amount within the period of 60 days after the second anniversary of the date of issue (the "Redemption Period"). In the event that a holder of class B ordinary shares does not exercise the option to redeem (the "Put Option") within the Redemption Period, the class B ordinary shares shall automatically be converted into class A ordinary shares on a

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 29. SHARE CAPITAL (continued)

one to one basis (the "Automatic Conversion"). Any transfer of class B ordinary shares shall be subject to the right of first refusal of other holders of class B ordinary shares and holders of class A ordinary shares to purchase such class B ordinary shares on a pro-rata basis. Except for the differences above, class A ordinary shares and class B ordinary shares will however rank *pari passu* with each other in all respects. Mr. Alastair Lam signed agreements with the holders of class B ordinary shares and Synergy Worldwide at the date of each allotment of class B ordinary shares, which stated that Mr. Alastair Lam would assume the redemption liability of all class B ordinary shares upon exercise of the Put Option within the Redemption Period. The agreements were entered into at the same time and in contemplation of issues of the class B ordinary shares. The contractual effects of the agreements are therefore considered together with the terms of the class B ordinary shares in assessing the classification of the class B ordinary shares as equity or debt. Taken together the effect is that Synergy Worldwide has no contractual obligation to deliver cash to the holders of the class B ordinary shares. Accordingly, the class B ordinary shares are classified as equity instruments under HKAS 32 *Financial Instruments: Presentation*. None of the holders of class B ordinary shares exercised the Put Option during the Redemption Period.

	Class A	Class B	Class A shares		Class B shares		Total	
	shares of US\$1.00 each	shares of US\$1.00 each	US\$	HK\$'000 equivalent	US\$	HK\$'000 equivalents	US\$	HK\$'000 equivalents
<b>Authorised:</b>								
As at 1 April 2012,								
31 March 2013, 2014								
and 30 September								
2014	<u>47,625</u>	<u>2,375</u>	<u>47,625</u>	<u>370</u>	<u>2,375</u>	<u>18</u>	<u>50,000</u>	<u>388</u>

	Notes	Class A shares of US\$1.00 each	HK\$'000 equivalent	Class B shares of US\$1.00 each	HK\$'000 equivalent	Total HK\$'000
<b>Issued and fully paid:</b>						
As at 1 April 2012	(a)	22,483	175	125	1	176
Issue/(repurchase) of shares	(b)	<u>125</u>	<u>1</u>	<u>(125)</u>	<u>(1)</u>	<u>—</u>
As at 31 March 2013, 2014 and 30 September 2014		<u>22,608</u>	<u>176</u>	<u>—</u>	<u>—</u>	<u>176</u>

## Notes:

- (a) The details of class A and class B ordinary shares, including allotments of class A and class B ordinary shares, repurchase of class B ordinary shares, Automatic Conversion of class B ordinary shares to class A ordinary shares, since the incorporation of Synergy Worldwide to 1 April 2012, are summarised in the "History and Corporate Development" section to the Prospectus.
- (b) In August 2012, Synergy Worldwide repurchased 125 class B ordinary shares in consideration of HK\$721,000 (the "Repurchase") from a shareholder with no premium at the same amount the latter purchased shares during the year ended 31 March 2011. On the same day, Synergy Worldwide issued and allotted 125 class A ordinary shares of US\$1.00 each at a consideration of approximately HK\$721,000 to the same shareholder. The total allotments of 125 class A ordinary shares credited approximately HK\$1,000 as fully-paid at par to the account of share capital and HK\$720,000 to the account of share premium during the year ended 31 March 2013, respectively.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 30. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statements of changes in equity in section I.

Share premium

Under the bye-laws and M&A of Synergy Worldwide, there is no restriction on the share premium account.

Capital reserves

- (i) Capital reserves represent the capital contributions made by a major shareholder of Synergy Worldwide, Mr. Alastair Lam, upon allotment of the class B ordinary shares.
- (ii) As mentioned in note 29(b) in respect of the Repurchase in August 2012, in the opinion of the Directors, the corresponding capital reserves of approximately HK\$716,000 recognised at the time of issue of shares during the year ended 31 March 2011, were released upon the Repurchase during the year ended 31 March 2013.

## 31. OPERATING LEASE ARRANGEMENT

(a) As lessor

Future minimum lease rental receivables under non-cancellable operating leases of the Group in respect of lighting systems as at the reporting dates are as follows:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Within one year	7,650	6,091	5,509
Within second to fifth year	<u>7,736</u>	<u>5,137</u>	<u>3,440</u>
	<u>15,386</u>	<u>11,228</u>	<u>8,949</u>

The Group leases lighting systems under operating lease. The leases run for an initial period of 3 years. None of these leases includes any contingent rentals.

The Group has signed leasing contracts with a customer, where both parties authorised and agreed that the Group would place a security deposit of approximately HK\$150,000 (the "Security Deposit") in a bank (the "Security Bank") in favour of the customer, the customer shall have the right and sole discretion to demand the Security Bank an amount equal to any cost, loss or damage suffered by itself as the direct or indirect result of any breach of the leasing arrangement by the Group. The provision of the leasing service has been executed by the Group since the year ended 31 March 2012. However both parties and the Security Bank are still in the administrative progress upon the issue of bank guarantee letter, accordingly the Security Deposit has not yet made by the Group.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 31. OPERATING LEASE ARRANGEMENT (continued)

(b) *As lessee*

Future minimum rental payables under non-cancellable operating lease of the Group in respect of offices, warehouses, motor vehicle licences and an office equipment as at the reporting dates are as follows:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,542	799	1,137
Within second to fifth year	711	54	905
	<u>2,253</u>	<u>853</u>	<u>2,042</u>

The Group leases offices, warehouses, motor vehicle licences and an office equipment under operating leases. The leases run for an initial period of 1 to 5 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

## 32. COMMITMENTS

The Group has the following commitments as at the reporting dates in respect of:

	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Commitments for investment in/establishment of a subsidiary			
– Contracted, but not provided for	<u>43,841</u>	–	–

Pursuant to sino foreign equity joint venture agreement (the “EJV Agreement”) entered into among Synergy (China) and other parties for establishing a sino-foreign equity joint venture company, Jingan Synergy Energy Management Company Limited (“Jingan Synergy”) in the People’s Republic of China on 5 February 2013, of which 72% shareholding of Jingan Synergy is owned by Synergy (China). As at 31 March 2013, the total investment commitment in Jingan Synergy of Synergy (China) is amounted to approximately HK\$43,841,000 in accordance with the EJV Agreement. On 23 September 2013, Jingan Synergy has been established.

Following the disposal of Synergy (China) as detailed in note 33, the Group has no commitments for the investment in/establishment of Jingan Synergy thereafter.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 33. DISPOSAL OF A SUBSIDIARY

On 10 March 2014, the Group disposed of a wholly-owned subsidiary, Synergy (China), to Mr. Alastair Lam, at a consideration of HK\$100. Synergy (China) holds 72% equity interests in Jingan Synergy. Synergy (China) and Jingan Synergy are engaged in investment holding and provision of energy saving solutions in the People's Republic of China, respectively. The consolidated financial information of Synergy (China) at the date of disposal were as follows:

	HK\$'000
Cash and cash equivalents	4
Other payables	<u>(381)</u>
	(377)
Due to the Group disposed of	381
Loss on disposal of a subsidiary	<u>(4)</u>
Total consideration	<u>—</u>
Satisfied by:	
Cash	<u>—</u>
Net cash outflow arising on disposal:	
Cash consideration	—
Cash and bank balances disposed of	<u>4</u>
	<u>4</u>

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 34. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed in notes 21, 22, 23, 26, 27, 29 and 30 to these Financial Information and Comparative Financial Information, the Group had the following material related parties transactions during the Relevant Periods:

	Notes	Year ended 31 March		Six months ended 30 September	
		2013	2014	2013	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)					
Leasing service income from related companies	(i)	<u>2,560</u>	<u>3,320</u>	<u>1,371</u>	<u>1,100</u>
Sales to related companies	(ii)	<u>16</u>	<u>123</u>	<u>56</u>	<u>88</u>
Sales to a joint venture	(iii)	<u>194</u>	<u>–</u>	<u>–</u>	<u>–</u>
Computer software consultancy service fees paid to a related company	(iv)	<u>636</u>	<u>636</u>	<u>318</u>	<u>168</u>
Rental expenses paid to a related company	(v)	<u>149</u>	<u>165</u>	<u>77</u>	<u>90</u>
Management service income received from an associate	(vi)	<u>1,800</u>	<u>1,800</u>	<u>900</u>	<u>900</u>

## Notes:

- (i) The total leasing service income amounted to approximately HK\$2,560,000, HK\$3,320,000 and HK\$1,100,000 for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively, were contributed from related companies, in which Mr. Alastair Lam's close relatives are the major shareholders and the key management personnel. The transactions with the related companies were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The trade receivables due from the related companies as at 31 March 2013, 2014 and 30 September 2014, are detailed in note 21.
- (ii) The total sales of goods amounted to approximately HK\$16,000, HK\$123,000 and HK\$88,000 for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively, were contributed from related companies, in which Mr. Alastair Lam's and Mr. Arthur Lam's close relatives are the major shareholders and the key management personnel. The transactions with the related companies were negotiated and carried in the ordinary course of business and at terms agreed between the parties.
- (iii) The total sales of goods amounted to approximately HK\$194,000 for the year ended 31 March 2013 were contributed from LNG Synergy. The transactions with LNG Synergy were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The trade receivables due from LNG Synergy as at 31 March 2013, 2014 and 30 September 2014 are detailed in note 21.
- (iv) The Group has paid computer software consultancy service fees of approximately HK\$636,000, HK\$636,000 and HK\$168,000 for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively, to a related company, which is wholly owned by Mr. Mansfield Wong. Mr. Mansfield Wong is the executive director of the Company. The transactions with the related company were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The non-trading outstanding balances due to this related company as at 31 March 2013, 2014 and 30 September 2014, are detailed in note 23(b).
- (v) The Group has paid rental expenses of approximately HK\$149,000, HK\$165,000 and HK\$90,000 for the years ended 31 March 2013, 2014 and the six months 30 September 2014, respectively, to a related company, in which Mr. Arthur Lam's close relative is a shareholder. The transactions with the related company were negotiated and carried in the ordinary course of business and at terms agreed between the parties. The non-trading outstanding balances due to this related company as at 30 September 2014 are detailed in note 26(a).

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 34. RELATED PARTY TRANSACTIONS (continued)

- (vi) The Group has received management service income of approximately HK\$1,800,000, HK\$1,800,000 and HK\$900,000 from an associate, Synergy Cooling HK during the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively. The transactions with Synergy Cooling HK were negotiated and carried in the ordinary course of business and at terms agreed between the parties.
- (b) The Group has obtained a bank loan of approximately HK\$1,000,000 during the year ended 31 March 2011. The bank loan is jointly and severally guaranteed by Mr. Alastair Lam and Mr. Arthur Lam with subordination amount of HK\$7,500,000. The outstanding balances of interest-bearing bank borrowings as at 31 March 2013, 2014 and 30 September 2014 are detailed in note 27(a).
- (c) The Group has obtained banking facilities of approximately HK\$8,000,000 during the year ended 31 March 2013. The bank facilities are jointly and severally guaranteed by Mr. Alastair Lam, Mr. Arthur Lam and Mr. Mansfield Wong. The outstanding balances of interest-bearing bank borrowings as at 31 March 2013 are detailed in note 27(b).
- (d) The Group has obtained corporate credit cards from a bank for daily operational use, which are guaranteed by Mr. Alastair Lam. The details of the corporate credit cards limit as at 31 March 2013, 2014 and 30 September 2014 are set out in note 27.
- (e) The Group has disposed interest of Synergy (China) to Mr. Alastair Lam at a consideration of HK\$100 during the year ended 31 March 2014. The details of the disposal are set out in note 33.
- (f) Effective from 12 September 2014, a Hong Kong subsidiary of the Group has committed to provide a corporate guarantee to an independent third party in Malaysia in respect of an agreement entered into between the independent third party and an associate of Synergy Worldwide. The duration of the agreement is 48 months and the monthly rent charged to the associate of Synergy Worldwide, amounting to approximately RM20,500. The corporate guarantee includes undertaking to indemnify the independent third party against all losses, expenses, charges and damages incurred or suffered by the independent third party in the consequence of any failure by the associate of Synergy Worldwide to perform its obligation under the agreement.
- (g) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Year ended 31 March		Six months ended 30 September	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Short-term employee benefits	<u>1,376</u>	<u>1,449</u>	<u>689</u>	<u>661</u>

**II. NOTES TO FINANCIAL INFORMATION (continued)****35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS***Major non-cash transactions*

- (a) During the year ended 31 March 2013, the Group has issued 125 class A ordinary shares at the same consideration of approximately HK\$721,000, with the Repurchase simultaneously as above-mentioned in note 29(b).
- (b) During the year ended 31 March 2013, the Group has utilised a deposit of approximately HK\$17,000 received from a leasing service customer for lighting systems, with net book amount amounting to approximately HK\$25,000 not returning to the Group upon expiry of the leasing service agreement under mutual agreement between both parties.
- (c) During the year ended 31 March 2014 and the six months ended 30 September 2014, the Group has transferred certain construction in progress and lighting systems to inventories with aggregate net book amount amounting to approximately HK\$659,000 and HK\$209,000, respectively, upon the change of usage of lighting products acquired, resulting from certain leasing contracts were reclassified from the form of operating lease to finance lease.

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

*Interest rate risk*

The interest rate of the Group's borrowings is disclosed in note 27. As the Group has no significant variable interest-bearing financial assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses. The Directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

*Foreign currency risk*

The Group's revenue and expenses are mainly in HK\$ which is the functional currency of all entities making up the Group. The Group's assets and liabilities as at the reporting dates, denominated in other currencies other than HK\$ are disclosed in notes 21, 24 and 25. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is mainly exposed to the foreign currency risk of RMB and US\$. As HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate and this is excluded from the sensitivity analysis below as in the opinion of Directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US\$/HK\$ exchange rates as at the reporting dates. No sensitivity analysis for Thailand Baht is presented as management considered the exposure is insignificant.



## II. NOTES TO FINANCIAL INFORMATION (continued)

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Foreign currency risk (continued)*

The following table details the Group's sensitivity of the Group's results for the Relevant Periods in regards to a 5% appreciation in HK\$ against RMB. 5% is the sensitivity rate used which represents management's best assessment of the reasonably possible change in foreign exchange rates. A 5% depreciation in HK\$ against RMB would have the same magnitude on the Group's results for the Relevant Periods.

	RMB		
	As at 31 March		As at 30 September
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Result for the year/period (note)	<u>211</u>	<u>158</u>	<u>580</u>

Note: This is mainly attributable to the exposure outstanding on trade payables at the end of the respective reporting period.

Exposures to foreign exchange rates vary during the year/period depending on the volume of transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

The Company has no foreign currency risk as at 31 March 2013, 2014 and 30 September 2014.

*Credit risk*

The Group closely monitors the concentration of credit risk on individual customers based on their credit worthiness.

The Group enters into trading transaction with the recognised and reputable third parties. Before accepting any new lease contract, the Group assesses the credit quality of each potential lease and might demand certain customers to place deposits with the Group at the time the lease arrangement is entered into. In addition, the Group monitors and controls the trade receivables regularly to mitigate the risk of significant exposure from bad debts, reviews the recoverable amount of each individual trade receivables at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. Normally, the Group does not obtain collateral from customers.

The Group has concentration risk upon trade receivables through consultancy services providing to one customer ("the Consultancy Service Customer") and trading of lighting products contributing from an overseas customer (the "Japan Customer") during the Relevant Period.

The Group's consultancy services provided to the Consultancy Service Customer, amounted to approximately HK\$34,992,000, HK\$27,856,000 and nil which accounted for approximately 49%, 35% and nil of the Group's total revenue for the years ended 31 March 2013, 2014 and the six months ended 30 September 2014, respectively. The corresponding trade receivables contributed approximately HK\$27,992,000, HK\$37,238,000 and HK\$16,688,000 which accounted for approximately 63%, 53% and 28% of the Group's trade receivables as at 31 March 2013, 2014 and 30 September 2014, respectively.

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)*

The sole shareholder/director of the Consultancy Service Customer is Mr. Alastair Lam's business partner (the "Mr. Alastair Lam's Business Partner"), both parties made joint investment in form of joint venture in their own individual business, and that joint investment has no trading relationship with the Group. In addition, the spouse of Mr. Alastair Lam's Business Partner is the ultimate beneficial owner of a company which jointly established Jingan Synergy with Synergy (China). Synergy (China) holds 72% equity interests in Jingan Synergy, and the spouse of Mr. Alastair Lam's Business Partner is a non-controlling shareholder of Jingan Synergy with 8% indirect equity interests.

The Group's revenue contributing from the Japan Customer, amounted to approximately HK\$9,621,000, HK\$23,594,000 and HK\$14,884,000 which accounted for approximately 14%, 30% and 39% of the Group's total revenue for the years ended 31 March 2013, 2014 and six months ended 30 September 2014, respectively. The corresponding trade receivables contributed approximately HK\$9,605,000, HK\$18,294,000 and HK\$18,127,000 which accounted for approximately 22%, 26% and 31% of the Group's trade receivables as at 31 March 2013, 2014 and 30 September 2014, respectively.

Credit risk in cash and cash equivalents is mitigated as cash is deposited in bank of high credit rating.

*Fair values*

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

*Liquidity risk*

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

The maturity profile of the Group's financial liabilities as at the reporting dates, based on the contractual undiscounted payments, are as follows:

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 6 months	Within 6-12 months	Within 1-2 years	Within 2-3 years	Over 3 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 March 2013</b>								
Trade payables	4,859	4,859	4,859	-	-	-	-	-
Accruals and other payables	2,861	2,861	6	2,855	-	-	-	-
Borrowings	5,038	5,129	-	4,828	131	170	-	-
Finance lease obligations	7	7	-	5	2	-	-	-
Due to a related company	732	732	732	-	-	-	-	-
Due to directors	4,775	4,775	4,775	-	-	-	-	-
	<u>18,272</u>	<u>18,363</u>	<u>10,372</u>	<u>7,688</u>	<u>133</u>	<u>170</u>	<u>-</u>	<u>-</u>

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk (continued)*

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 6 months	Within 6-12 months	Within 1-2 years	Within 2-3 years	Over 3 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 March 2014</b>								
Trade payables	5,837	5,837	5,837	–	–	–	–	–
Accruals and other payables	6,275	6,275	30	6,245	–	–	–	–
Dividends payable	40,016	40,016	40,016	–	–	–	–	–
Borrowings	167	170	–	128	42	–	–	–
Due to a related company	53	53	53	–	–	–	–	–
	<u>52,348</u>	<u>52,351</u>	<u>45,936</u>	<u>6,373</u>	<u>42</u>	<u>–</u>	<u>–</u>	<u>–</u>

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 6 months	Within 6-12 months	Within 1-2 years	Within 2-3 years	Over 3 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 30 September 2014</b>								
Trade payables	14,265	14,265	14,265	–	–	–	–	–
Accruals and other payables	7,879	7,879	152	7,727	–	–	–	–
Dividends payable	2,972	2,972	2,972	–	–	–	–	–
Borrowings	527	594	–	88	69	138	276	23
Due to a related company	221	221	221	–	–	–	–	–
	<u>25,864</u>	<u>25,931</u>	<u>17,610</u>	<u>7,815</u>	<u>69</u>	<u>138</u>	<u>276</u>	<u>23</u>

## II. NOTES TO FINANCIAL INFORMATION (continued)

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting dates are as follows:

*Financial assets*

	At as 31 March		As at
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
Loans and receivables			
Trade receivables	44,139	69,897	58,977
Finance lease receivables	–	709	942
Other receivables	955	1,487	1,732
Due from associates	1,117	3,711	1,903
Cash and cash equivalents	7,313	3,202	1,209
	<u>53,524</u>	<u>79,006</u>	<u>64,763</u>

*Financial liabilities*

	As at 31 March		As at
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
At amortised costs			
Trade payables	4,859	5,837	14,265
Accruals and other payables	2,861	6,275	7,879
Dividends payable	–	40,016	2,972
Borrowings	5,038	167	527
Finance lease obligations	7	–	–
Due to a related company	732	53	221
Due to directors	4,775	–	–
	<u>18,272</u>	<u>52,348</u>	<u>25,864</u>

## 38. CAPITAL MANAGEMENT

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

**II. NOTES TO FINANCIAL INFORMATION (continued)****38. CAPITAL MANAGEMENT (continued)**

Management regards total equity as capital. The amount of capital as at 31 March 2013, 2014 and 30 September 2014 amounted to approximately HK\$51,548,000, HK\$35,070,000, and HK\$46,902,000, respectively, which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

**39. CONTINGENT LIABILITIES**

The Group has contingent liabilities in respect of failure to notify chargeability to tax of a Hong Kong subsidiary for the year of assessment of 2010/2011 to Inland Revenue Department ("IRD") in Hong Kong. Under Section 82A of the Inland Revenue Ordinance, the maximum penalty as a result of the failure to notify chargeability would be treble the amount of tax undercharged of the year of assessment concerned.

In April 2013, the Group has received tax assessment for 2009/2010 and 2010/2011 issued from IRD ("IRD Tax Assessment"). Pursuant to the IRD Tax Assessment, which were assessed based on the information submitted by the Group to IRD, the adjusted tax loss was approximately HK\$5,107,000 for the year of assessment of 2009/2010 (the "Adjusted Tax Losses") and tax liability was approximately HK\$2,196,000 for the year of assessment of 2010/2011. The Adjusted Tax Losses for the year of assessment of 2009/2010 was used to offset against the assessable profits for the year of assessment of 2010/2011.

In the opinion of the Directors, taking into consideration of IRD Tax Assessment received, the tax liability for the year of assessment of 2010/2011 is approximately HK\$2,196,000. Accordingly, the Directors are in the opinion that the maximum penalty as a result of the failure to notify chargeability for year of assessment of 2010/2011 would be approximately HK\$6,588,000, which is subject to further/additional tax assessment of the IRD, if any.

**40. EVENT AFTER THE REPORTING PERIOD**

Except as disclosed elsewhere in this report, the Group has the following subsequent events undertaken by the Company or by the Group after 30 September 2014.

On 17 October 2014, Synergy Worldwide disposed of its entire investment in Synergy Mexico to another joint venture partner at a consideration of HK\$1.

The companies in the Group underwent the Reorganisation in preparation for the listing of shares of the Company on the GEM of the Stock Exchange. Further details of the Reorganisation are set out in the paragraph headed "Group Reorganisation" in the "History and Corporate Development" section to the Prospectus.

**41. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 September 2014.

Yours faithfully,

**BDO Limited**

*Certified Public Accountants*

**Cheung Or Ping**

Practising Certificate Number P05412

Hong Kong

## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the accountant's report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

For illustrative purpose, only the unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set forth below to provide the prospective investors with further information on how the Placing might have affected the net tangible assets of the Group attributable to owners of the Company after the completion of the Placing.

### A.    UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets prepared on the basis of the notes set out below for the purpose of illustrating the effect of the issue of New Shares pursuant to the Placing on the net tangible assets of the Group attributable to owners of the Company as if the Placing had taken place on 30 September 2014. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Placing been completed as of 30 September 2014 or at any future dates.

	Audited consolidated net tangible assets attributable to the owners of the Company as at 30 September 2014	Estimated net proceeds from the issue of New Shares pursuant to the Placing	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK\$'000	HK\$'000	HK\$'000	HK\$
	(note 1)	(note 2)		(note 3)
Based on the Placing Price of HK\$0.50 per Share	<u>46,709</u>	<u>20,982</u>	<u>67,691</u>	<u>0.14</u>
Based on the Placing Price of HK\$0.70 per Share	<u>46,709</u>	<u>37,217</u>	<u>83,926</u>	<u>0.17</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2014 is arrived at after deducting intangible assets of approximately HK\$193,000 from the audited consolidated net assets of approximately HK\$46,902,000 as at 30 September 2014, as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of New Shares pursuant to the Placing are based on the placing price of HK\$0.50 and HK\$0.70 per Share, being the lower end to higher end of the stated placing price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Placing as set out in the "Share Capital" section to this prospectus, but takes no account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group enter into subsequent to 30 September 2014.

**B.    INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
      COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong.*



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13 March 2015

The Directors  
Synergy Group Holdings International Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Synergy Group Holdings International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 30 September 2014, and related notes as set out in Appendix II of the listing document issued by the Company (the "Unaudited Pro Forma Financial Information"). 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 13 March 2015 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 proposed placing of ordinary shares of the Company (the "Placing") on the Group's consolidated net tangible assets attributable to the owners of the Company as at 30 September 2014 as if the Placing had taken place on the same date. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 30 September 2014, on which an accountant's report has been published.

**Directors' responsibility for the Unaudited Pro Forma 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 (the "HKICPA").

**Reporting accountant's 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 whom those reports were addressed by us at the dates of their issue.

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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

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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 accountant 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 AG7 issued by 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 the prospectus is solely to illustrate the impact of the listing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction as at 30 September 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 transaction, 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 accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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 Or Ping**  
Practising Certificate Number P05412  
Hong Kong



Set out below is a summary of certain provisions of the Memorandum and the Articles 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 14 December 2011 under the Companies Law. The Memorandum and the Articles comprise its constitution.

## **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 conditionally adopted on 5 March 2015. 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 (as defined in the Articles) 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; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(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) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. 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 the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (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 its meetings as if considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

#### **(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 to one vote for every such share held by him.

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 notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), 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 notice of less than twenty-one (21) clear days and less than ten (10) clear business days 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**

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 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 installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the 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 not more than 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. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the 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 shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days 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 notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. 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 to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to 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 if permitted by the rules of the Designated Stock Exchange, 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 and financial assistance to purchase shares of the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

***(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. 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 installments. 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 during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 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; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course 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 and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) 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 (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 10 January 2012.

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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the 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 maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

**(n) Winding up**

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. 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 or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. 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 liquidators; and the Court may appoint to such office such qualified 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. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

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. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

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. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

**(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**

Conyers Dill & Pearman (Cayman) Limited, 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 paragraph headed "Documents available for inspection" in Appendix V. 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**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 December 2011.

Our Company has established its principal place of business in Hong Kong at Room B404B, 4/F, Block B, Sea View Estate, No. 4-6 Watson Road, North Point, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the then Companies Ordinance (Chapter 32 of the Laws of Hong Kong) the predecessor to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 6 February 2012. On 16 December 2014, Mr. Mansfield Wong and Mr. Tong Man Chun were appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law, the relevant laws of the Cayman Islands and its constitutional documents which comprise the Memorandum of Association and the Articles of Association. A summary of certain relevant provisions of its constitution and certain relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation of our Company, its authorised share capital was HK\$380,000.00 divided into 380,000 ordinary shares of HK\$1.00 each.
- (b) On 14 December 2011, one share of HK\$1.00 in the share capital of our Company was issued and allotted nil paid to Codan Trust Company (Cayman) Limited and such nil-paid subscriber share was transferred to Mr. Alastair Lam on the same day.
- (c) On 14 December 2011, our Company issued and allotted 99 shares of HK\$1.00 each nil-paid to Mr. Alastair Lam, such that Mr. Alastair Lam then held 100 shares of HK\$1.00 each that were nil-paid.
- (d) On 5 March 2015, each ordinary share of HK\$1.00 in the issued and unissued share capital of our Company was sub-divided into 100 ordinary shares of HK\$0.01 each, such that the authorised share capital of our Company became HK\$380,000.00 divided into 38,000,000 ordinary shares of HK\$0.01 each, out of which 10,000 Shares have been issued nil paid and held by Mr. Alastair Lam.
- (e) On 5 March 2015, pursuant to the Reorganisation Agreement, our Company issued and allotted 414,990,000 new Shares, all credited as fully-paid up to the Existing Shareholders and credited the 10,000 nil-paid Shares as fully-paid at par, as consideration for the transfer of 100% interest in Synergy Worldwide by the Existing Shareholders to our Company.

Save as disclosed herein and as mentioned in the following paragraphs respectively headed "Written resolutions of the then sole Shareholder of our Company passed on 5 March 2015" and "Corporate reorganisation" in this appendix, there has been no alteration in the share capital of our Company since the date of its incorporation.

### 3. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountant's report set out in Appendix I to this prospectus. The following alterations in the share capital of each of our subsidiaries took place since their incorporation and up to the date immediately preceding the date of this prospectus:

#### (a) *Synergy Worldwide*

Synergy Worldwide was incorporated in the BVI on 8 August 2008 with an authorised capital of 50,000 shares of US\$1.00 each. As at 5 August 2009, Mr. Alastair Lam held 100% shareholding of Synergy Worldwide.

On 18 December 2009, the authorised share capital of Synergy Worldwide was changed whereby Synergy Worldwide reclassified its share capital into two classes, Class A Shares and Class B Shares, and all existing issued shares of Synergy Worldwide were redesignated as Class A Shares. As a result, Synergy Worldwide was then authorised to issue a maximum of 50,000 shares comprising of 47,625 Class A Shares and 2,375 Class B Shares.

On 19 December 2009, 10 ordinary shares which Mr. Alastair Lam held were all redesignated as Class A Shares. On the same day, Synergy Worldwide further issued and allotted 11,859 Class A Shares to Mr. Alastair Lam, all issued at par value in cash.

On the same day, Mr. Arthur Lam was allotted 2,556 Class A Shares; Abundance was allotted 2,556 Class A Shares; and Fine Sky was allotted 894 Class A Shares, all issued at par value in cash.

On 15 January 2010, 500 Class B Shares were allotted to Mr. Chu; 250 Class B Shares were allotted to Mr. Paul Lam Jr; 250 Class B Shares were allotted to Miss HY Tsang; 125 Class B Shares were allotted to Width; 250 Class B Shares were allotted to Mr. HK Tsang; and 750 Class B Shares were allotted to Sinochief. The Class B Shares were issued at HK\$4,000 per Class B Share in cash.

On 31 March 2011, Mr. Alastair Lam transferred 624 Class A Shares to Miss Liu; Mr. Arthur Lam transferred 208 Class A Shares to Miss Liu; and Abundance transferred 208 Class A Shares to Miss Liu, at a transfer price equal to approximately HK\$5,769.2 per Class A Share in cash. On the same day, further allotment of a total of 800 Class A Shares was made. Mr. Chu was allotted 200 Class A Shares; Mr. Paul Lam Jr was allotted 200 Class A Shares; Mr. HK Tsang was allotted 400 Class A Shares. On the same day, Synergy Worldwide repurchased the 125 Class B Shares that were previously issued and allotted to Width on 15 January 2010 as Width failed to fully pay for its subscription of those Class B Shares, and Synergy Worldwide issued the 125 Class B Shares so repurchased to Mr. HK Tsang, all allotted at an issue price of HK\$5,770 per share in cash.

On 2 November 2011, Mr. Alastair Lam was allotted 1,808 Class A Shares at approximately at HK\$4,424.8 per Class A Share in cash.

On 3 November 2011, Mr. Alastair Lam transferred 904 Class A Shares to Mr. Tong and 904 Class A Shares to Mr. Chow, all at approximately HK\$4,424.8 per Class A Share in cash.

On 30 November 2011, Mr. Alastair Lam transferred the legal title of (i) 1,092 Class A Shares to Miss Cheng; (ii) 1,092 Class A Shares to Mr. Cheung; (iii) 728 Class A Shares to Mr. Lau; and (iv) 1,092 Class A Shares to Mr. Sun. On the same day, Mr. Arthur Lam transferred 416 Class A Shares to Mr. Kwan at no consideration.

By 23 August 2012, 2,000 Class B Shares (which excludes the 125 Class B Shares re-issued to Mr. HK Tsang) were converted into Class A Shares. On 23 August 2012, Synergy Worldwide repurchased the remaining 125 Class B Shares held by Mr. HK Tsang, in consideration of which Synergy Worldwide issued and allotted 125 Class A Shares to Mr. HK Tsang.

On 12 March 2014, Mr. Alastair Lam transferred 226 Class A Shares to Abundance, 249 Class A Shares to Mr. Paul Lam Jr, 388 Class A shares to Mr. Chu, 403 Class A shares to Mr. Lau, 501 Class A Shares to Mr. Chow, 501 Class A Shares to Mr. Tong and 2,260 Class A Shares to Success Gold. The consideration per Class A Share transferred was approximately HK\$5,521.2.

**(b) SLL**

SLL was incorporated in Hong Kong on 3 December 2008 with an authorised share capital of 10,000 shares of HK\$1.00 each. On 3 December 2008, Mr. Alastair Lam was allotted 100 shares of HK\$1.00 each and holds the entire beneficial interest of SLL at that time.

On 3 September 2009, Mr. Alastair Lam transferred his entire shareholding in SLL to Synergy Worldwide. Thereafter, SLL became a wholly-owned subsidiary of Synergy Worldwide.

**(c) SEM (Malaysia)**

SEM (Malaysia) was incorporated in Malaysia on 17 April 2014 with an authorised share capital of RM400,000 divided into 400,000 shares of RM1.00 each. On 17 April 2014, each of Ms. Yim Wan Yee Eva (“**Ms. Yim**”) and Mr. Cheung Wai Man Stephen (“**Mr. Stephen Cheung**”) were allotted 50 shares of SEM (Malaysia) of RM1.00 each.

On 7 May 2014, each of Ms. Yim and Mr. Stephen Cheung transferred 50 shares of SEM (Malaysia) to SCMM (BVI). Thereafter, SEM (Malaysia) became a wholly-owned subsidiary of SCMM (BVI).

**4. Written resolutions of the then sole Shareholder of our Company passed on 5 March 2015**

On 5 March 2015, resolutions in writing were passed by the then sole Shareholder of our Company, namely, Mr. Alastair Lam, pursuant to which, among other matters:

- (a) our Company conditionally approved and adopted the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on (i) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the 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 (ii) 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:
  - (i) the Placing was approved and the Directors were authorised to allot and issue the Placing Shares pursuant to the Placing to the investors;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this appendix, were approved and adopted and the 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 under 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;

- (iii) a general unconditional mandate was given to our Directors to exercise all the 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 scrip dividends in accordance with the Articles or a specific authority granted by our Shareholders in general meeting, Shares or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted (whether or not such securities or options involve the allotment or issue of Shares during or after the Relevant Period (as defined below) with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Placing 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 whichever is the earliest of:
  - (1) the conclusion of the next annual general meeting of our Company; or
  - (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (3) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;
- (iv) a general unconditional mandate was given to the 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, in accordance with all applicable laws and requirements of the GEM Listing Rules (or of such other stock exchange), 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 but excluding any Shares which may be issued under or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
  - (1) the conclusion of the next annual general meeting of our Company; or
  - (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (3) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (v) the general unconditional mandate mentioned in sub-paragraph (iii) 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 the 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 (iv) 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 but excluding any Shares which may be issued under or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

## 5. Repurchases by our Company of its own securities

This section includes information relating to the repurchases of securities, including information required by the GEM Listing Rules to be included in this prospectus concerning such repurchase. The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

### **(a) Shareholders' approval**

All proposed repurchases of Shares (which must be fully paid-up) by a company listed on GEM must be approved in advance by an ordinary resolution in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of the then sole Shareholder of our Company passed on 5 March 2015, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorising the Directors to exercise all powers of our Company to repurchase its Shares on GEM, 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 (please refer to the above paragraph headed "Written resolutions of the then sole Shareholder of our Company passed on 5 March 2015" in this Appendix for further details).

On the basis of 500,000,000 Shares in issue immediately after completion of the Placing (without taking into account the exercise of any options which may be granted under the Share Option Scheme), the Directors shall be authorised to repurchase up to 50,000,000 Shares during the period in which the Repurchase Mandate remains in force.

### **(b) Source of funds**

Any repurchases of Shares by our Company must be paid out of funds legally available for the purpose in accordance with the Memorandum and Articles, GEM Listing Rules, and all the applicable laws of the Cayman Islands. We may not repurchase our own securities 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 repurchase may be made out of funds legally permitted to be utilised in this connection, including profits of our Company, share premium account of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, subject to the provisions of the Companies Law, out of capital and in the case of any premium payable on a repurchase over the par value of the Shares to be repurchased, it must be paid out of either or both of the profits of our Company or our Company's share premium account, or subject to the provisions of the Companies Law, out of capital.

### **(c) Connected parties**

The GEM Listing Rules prohibit our Company from knowingly repurchasing its Shares on GEM from a core connected person and a core connected person shall not knowingly sell his Shares to our Company.

No core connected person has notified our Company that he has a present intention to sell his Shares to our Company, or has undertaken not to do so, if any repurchase mandate is exercised.

### **(d) Reasons for repurchases**

The Directors believe that it is in the best interests of our Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding



arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and the Shareholders as a whole.

**(e) Funding of repurchases**

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules, and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our Company's current working capital position, the Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our Company's working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing position which in the opinion of the Directors are from time to time appropriate for our Company.

**(f) General**

None of the Directors nor, to the best of their knowledge and belief, having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries 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 of the Cayman Islands.

Our Company has not made any repurchases of its own securities since its incorporation.

**(g) Takeovers Code**

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

**6. Corporate Reorganisation**

In order to streamline the corporate structure and rationalise our corporate structure in preparation for the Listing, our Group underwent the Reorganisation. Please refer to the section headed "History and corporate development – Group reorganisation" in this prospectus for details.

**7. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme approved by the written resolutions of the then sole Shareholder passed on 5 March 2015:

**(1) The purpose of the Share Option Scheme**

The Share Option Scheme seeks to provide an incentive for the Qualified Participants (as hereinafter defined) to work with commitment towards enhancing the value of our Company and the

Shares for the benefit of the Shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of our Group.

**(2) Who may join**

The Board may at its discretion grant options to any director or employee (whether full time or part time) of our Company and its subsidiaries and associated companies (as defined under the Companies Ordinance) (collectively, “**Qualified Participants**”).

**(3) Grant of Option**

An offer of the grant of an option shall be made to the Qualified Participants by letter in such form as the Board may from time to time determine, requiring the Qualified Participants to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules). The offer shall remain open for acceptance for a period of twenty business days from the date on which it is made. Subject to the terms of the offer letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options. An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Qualified Participant.

**(4) Payment on acceptance of option offer**

HK\$1.00 is payable by the Qualified Participant to our Company on acceptance of the option offer as consideration for the grant.

**(5) Subscription Price**

The subscription price (“**Subscription Price**”) shall, subject to any adjustment pursuant to paragraph (15), be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date on which the option is offered to a Qualified Participant (“**Offer Date**”); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

**(6) Maximum number of Shares**

**(i) Scheme Mandate**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the Listing Date, which is expected to be 50,000,000 Shares. For the purpose of calculating the scheme mandate (“**Scheme Mandate**”), options which have been lapsed in accordance with the terms of the relevant scheme shall not be counted.

**(ii) Refreshment of the Scheme Mandate**

Our Company may seek approval by the Shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company under the general mandate as refreshed must not exceed 10% of the total number of Shares in issue as at the date of

shareholders' approval. For the foregoing purpose, options previously granted under the Share Option Scheme and any other share option schemes of our Company, whether outstanding, cancelled or lapsed in accordance with its applicable rules or already exercised, will not be counted.

**(iii) Grant of options to specifically identified Qualified Participants**

Our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the Scheme Mandate provided the options in excess of the general mandate are granted only to Qualified Participants who are specifically identified before such approval is sought. A circular will be sent by our Company to the Shareholders in accordance with the GEM Listing Rules.

**(iv) Overriding Limit**

Notwithstanding any provisions to the contrary, the limit on the 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 such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

**(7) Maximum entitlement of Shares of each Qualified Participant**

Unless approved by the Shareholders in general meeting in the manner prescribed in the GEM Listing Rules, the Board shall not grant options to any option-holder if the acceptance of those options would result in the total number of Shares issued and to be issued to that Qualified Participant on exercise of his options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total Shares then in issue.

**(8) Timing for exercise of options**

The period during which an option may be exercised in accordance with the terms of the Share Option Scheme ("**Option Period**") shall be a period of time to be notified by the Board to each option-holder, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date.

**(9) Rights personal to option-holder**

An option is personal to the option-holder and shall not be transferable or assignable. No option-holder shall 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 or attempt to do so (except that the option-holder may nominate a nominee, of which the option-holder is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the option-holder and the nominee has been provided to the satisfaction of the Board).

**(10) Rights on ceasing employment**

If the option-holder who is a director or an employee (whether full time or part time) of our Company or any member of our Group or any associated company of a member of our Group ("**Eligible Employee**") ceases to be so engaged by reason other than his death or the termination of his employment on one or more of the grounds under sub-paragraph (v) of paragraph (18) below or retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement, the option-holder shall be entitled to exercise the option up to his entitlement at the date of cessation (to the extent not already exercised) within a period of 1 month from the date of such cessation, which date shall be the last day on which the option-holder was at work with our Company, the relevant member of our Group or associated company of a member of our Group (whether salary is paid in lieu of notice or not) (or within such longer period as the Board may determine).

***(11) Rights on death***

In the event of death of the option-holder (being an individual) before exercising the option in full, where none of the events which would be a ground for termination of his employment under sub-paragraph (v) of paragraph (18) below have arisen, and such option-holder is an Eligible Employee, his legal personal representatives may exercise the option up to the option-holder's entitlement (to the extent exercisable as at the date of his death and not exercised) within the period of 12 months following his death or such longer period as the Board may determine.

***(12) Rights on retirement***

If the option-holder being an Eligible Employee ceases to be so engaged by reason of retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement and none of the events which would be a ground for termination of his employment as specified in sub-paragraph (v) of paragraph (18) below has arisen, the option-holder shall be entitled within a period of 12 months from the date of retirement (or such longer period as the Board may determine) to exercise the option up to the option-holder's entitlement (to the extent not already exercised).

***(13) Conditions***

The Share Option Scheme is conditional upon: (i) the Placing takes place in accordance with its terms; (ii) the Shareholders granting approval of the Share Option Scheme and any options which may be granted thereunder; and (iii) the listing of and permission to deal in the Shares which may fall to be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme.

***(14) Rights on a compromise or arrangement***

If a compromise or arrangement between our Company and the Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to all option-holders on the same day as it gives notice of the meeting to the Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the option-holder may, during the period commencing on the date of the notice and ending on the earlier of: (i) the date two calendar months thereafter; and (ii) the date on which such compromise or arrangement is sanctioned by the court, exercise the option (whether in full or in part), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all option-holders to exercise their respective options shall forthwith be suspended. Our Company may require the option-holders to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the option-holder in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms present to the court or upon any other terms as may be approved by such court) the rights of option-holders to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full 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 option-holder as a result of the aforesaid suspension.

**(15) Effect of capital structure**

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, share sub-division or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), the Board shall make (and shall notify to the option-holder) such corresponding alterations (if any) in:

- (i) the number of Shares subject to any option so far as such option remains unexercised;
- (ii) the Subscription Price; and/or
- (iii) the number of Shares subject to the Share Option Scheme,

as the Auditors or an independent financial advisor (licensed to conduct type 6 activity under the SFO) to certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that are required to give each option-holder the same proportion of the share capital as that to which the option-holder was previously entitled, but not so that the effect would be to enable any Share to be issued to a option-holder at less than its nominal value.

In the event of any alteration, all alterations shall also comply with the GEM Listing Rules, as amended or modified or terminated or replaced by subsequent guidelines from time to time.

**(16) Rights on voluntary winding up**

In the event a notice is given by our Company to our 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 day as or soon after it despatches such notice to each Shareholder give notice thereof to all option-holders (together with a notice of the existence of this provision) and thereupon, each option-holder (or his legal personal representative(s)) shall be entitled to exercise all or any of his 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, issue and allot the relevant Shares to the option-holder credited as fully paid.

**(17) Rights on general offer**

If a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all the holders of Shares (or all holders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional during the Option Period of an outstanding option, the option-holder (or his legal personal representatives) shall be entitled to exercise the option (to the extent not already exercised) at any time before the expiry of the period of ten business days following the date on which the offer becomes or is declared unconditional.

**(18) Lapse of options**

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (10), (11), (12), (14), (16) or (17);
- (iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in paragraph (16);
- (iv) the date of the scheme or compromise referred to in paragraph (14) becomes effective;

- (v) the date on which the option-holder being an Employee ceases to be a Qualified Participant by reason of the termination of his employment on any one or more of the grounds:
  - (a) that he has been guilty of misconduct; or
  - (b) that he has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally; or
  - (c) that he has been convicted of a criminal offence involving his integrity or honesty; or
  - (d) on any other ground on which an employer would be entitled to terminate his employment pursuant to applicable laws or under the option-holder's employment contract;
- (vi) the date on which the option-holder commits a breach of paragraph (9);
- (vii) if an option was granted subject to certain conditions, restrictions or limitations, the date on which the Board resolves that the option-holder has failed to satisfy or comply with such conditions, restrictions or limitations;
- (viii) in respect of the option-holder being a consultant or advisor (whether individual or corporation), the date on which the Board resolves that the consultant or advisor fails to comply with any provisions of the relevant contracts, or breaches its fiduciary duty under the common law; and
- (ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the offer letter, if any.

#### **(19) Ranking of Shares**

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles 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. Accordingly, the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment.

#### **(20) Life of the Share Option Scheme**

The Share Option Scheme shall be valid and effective for a period of ten years commencing from the date on which the Share Option Scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the Share Option Scheme.

#### **(21) Alterations of the Share Option Scheme**

The Share Option Scheme may be altered by the Board except that any material alteration to its terms and conditions or any change to the terms of options granted (except where such alterations take effect automatically under the existing terms of the Share Option Scheme) shall first be approved by the Shareholders in general meeting and the provisions of the Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of the option-holders except with the prior sanction of a resolution of our Company in general meeting. Any amended terms of the Share Option Scheme shall comply with Chapter 23 of the GEM Listing Rules.

**(22) Administration**

The Share Option Scheme shall be administered by the Board or the scheme administrator appointed by the Board. The Board may appoint a scheme administrator to manage the Share Option Scheme. The decision of the Board as to all matters relating to the Share Option Scheme or its interpretation or effect (save as otherwise provided) shall be final and binding on all parties affected thereby. In particular, the Board shall finally determine whether a person is eligible to participate in the Share Option Scheme. Without prejudice to any of the provisions of the Share Option Scheme, the Board may from time to time adopt such operational rules as it may deem fit for the purpose of giving effect to or implementing the Share Option Scheme (including without limitation rules which may restrict the exercise of the options granted or to be granted or otherwise impose restrictions on the option-holder) provided that such operational rules do not conflict with the Share Option Scheme or contravene any of the provisions of the GEM Listing Rules. Any change to the authority of the Board or the administrators of the Share Option Scheme shall be approved by the Shareholders in general meeting.

**(23) Options to Related Persons**

- (i) Any grant of options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates ("**Related Person**") must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is also a proposed grantee of such options).
- (ii) Any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon the exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12-month period up to and including the proposed Offer Date: (a) would represent in aggregate more than 0.1% of the Shares then in issue; and (b) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the GEM Listing Rules from time to time).
- (iii) At the general meeting to approve the proposed grant of options pursuant to this paragraph (23), all connected persons of our Company must abstain from voting unless intending to vote against the proposed grant and that intention has been stated in the circular to be despatched to the Shareholders in accordance with GEM Listing Rules. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the GEM Listing Rules.

**(24) Restrictions on grant of Options**

No grant of Options shall be made after an event which constitutes inside information (as defined under the SFO) has occurred or a matter which may constitute inside information has been the subject of a decision, until the inside information has been announced pursuant to the requirements of the GEM Listing Rules and Part XIVA of the SFO. In particular, no Option shall be granted during the period of 30 days immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any yearly, half-yearly or quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
- (b) the deadline for our Company to publish an announcement of its results for any year or half-year or quarterly under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules),

and ending the date of the results announcement. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Without prejudice to the foregoing, no Option shall be granted during the period specified in the GEM Listing Rules as being a period during which no Option may be granted.

No grant of Options shall be made to a Qualified Participant who is a director of the Company during a period in which the directors are prohibited from dealing in Shares pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules (as amended from time to time) or the Company's own equivalent code.

***(25) Cancellation of Options***

Options granted but not exercised or lapsed may be cancelled by the Board at its discretion with the consent of the relevant option-holder. Subject to the consent from the relevant option-holder, the Board may at its discretion cancel Options previously granted to and yet to be exercised by, an option-holder. The option-holders whose options are cancelled may be issued new options in accordance with the provisions of the Share Option Scheme, provided that there are sufficient available unissued options (excluding such cancelled options) for such re-issuance under the Scheme Mandate.

***(26) Termination***

Our Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the Shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. In particular, all options granted and accepted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme. On the basis of 500,000,000 Shares will be in issue immediately after completion of the Placing), the maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the total number of Shares in issue as at the Listing Date, i.e. 50,000,000 Shares. Application has been made to the Listing Division for the listing of and permission to deal in the 50,000,000 Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.




**B. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Group as a whole:


- (a) the Reorganisation Agreement;
- (b) the Deed of Indemnity; and
- (c) the Underwriting Agreement.

**2. Intellectual property rights of our Group*****Trademark***

As at the Latest Practicable Date, members of our Group had registered/applied for the following trademarks:

No.	Trademark	Place of registration	Class	Registration number	Expiry Date
1.		Hong Kong	11 and 35	302122352	22/12/2021

(b) In Application

No.	Trademark	Place of application	Class	Application No.
1.	 Synergy	Japan	11 and 35	2014-033154

***Patents***

As at the Latest Practicable Date, members of our Group have been recorded as the subsequent owner of the following patents:

No.	Place of registration	Patent No.	Title	Application No.	Expiry Date
1	Australia	2003252529	A New Fluorescent Lamp	2003252529	28/7/2023
2	Canada	2,495,809	Fluorescent Lamp Tube	2,495,809	28/7/2023
3	Hong Kong	1120360	Replaceable Electronic Tube In Tube	08111470.8	15/10/2016
4	India	239705	Fluorescent Lamp with Electronic Ballast	505/DELNP/2005	28/7/2023

No.	Place of registration	Patent No.	Title	Application No.	Expiry Date
5	Indonesia	ID 0021418	Fluorescent Lamp Tube	W-00200500466	28/7/2023
6	New Zealand	538570	A New Fluorescent Lamp	538570	28/7/2023
7	Philippines	1-2005-500361	A New Fluorescent Lamp Tube	1-2005-500361	28/7/2023
8	Russian Federation	2308783	Fluorescent Lamp	2005108353	28/7/2023
9	Singapore	110354	A New Fluorescent Lamp	200500702-6	28/7/2023
10	South Africa	2005/01995	A New Fluorescent Lamp	2005/01995	28/7/2023
11	South Korea	713196	A New Fluorescent Lamp	2005-7002631	28/7/2023
12	USA	7,083,309	Fluorescent Lamp Tube Having Integrated Electronic Ballast	10/498,629	28/7/2023
13	Vietnam	5668	A New Fluorescent Lamp	1-2005-00271	28/7/2023

Our Group began to acquire the above registered patents from Mr. Chan and Mr. Ng in May 2009. The acquisition was completed in November 2011. Recordal applications of the assignment of the above registered patents in the relevant jurisdictions were filed in August and September 2012. The recordal applications have been completed for all countries mentioned above. As advised by our Hong Kong legal advisers as to intellectual property rights, the recordal applications of the assignment are formalities to enable the change of ownership be updated on the official register. All the above patents now stand in the name of our Group. Details of the risks associated to our intellectual property rights are set out in the section headed "Risk factors" in this prospectus.

**Domain Names**

As at the Latest Practicable Date, members of our Group had registered the following domain names:

<b>No.</b>	<b>Domain Name</b>	<b>Registration Date</b>	<b>Expiry Date</b>
1.	www.synergy-group.com	12/8/2009	12/8/2015
2.	synergy-light.com	20/7/2009	20/7/2015
3.	synergy-light.com.hk	29/4/2010	29/4/2016
4.	synergy-light.hk	29/4/2010	29/4/2016
5.	synergy-cool.com	1/4/2011	1/4/2015
6.	synergy-cool.com.hk	1/4/2011	21/4/2016
7.	synergy-cool.hk	1/4/2011	8/4/2016
8.	synergy-cooling.com	1/4/2011	1/4/2015
9.	synergy-cooling.com.hk	1/4/2011	21/4/2016
10.	synergy-cooling.hk	1/4/2011	8/4/2016
11.	synergy-group.com.hk	26/4/2011	26/4/2016
12.	synergy-group.hk	1/4/2011	8/4/2016

At the early development stage of our Group, we were dependent on our patent and our primary product, “Tube-in-Tube” Fluorescent Lamps. Since we have been gaining market recognition in our leasing services in Hong Kong, which uses mostly our “Tube-in-Tube” Fluorescent Lamps, we are able to rely more on our reputation and our leasing services model for future business growth.

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

### 1. Directors' service agreements

Each of the executive Directors has entered into a service agreement with our Company. The terms and conditions of each of such service agreements are similar in all material respects. The service agreements are initially for a fixed term commencing from the Listing Date until and including the date of the third annual general meeting following the Listing Date and will continue thereafter until terminated by at least three months' written notice or payment in lieu to the other party. An executive Director is required to abstain from voting and is not counted towards the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual remuneration (excluding discretionary bonus) of the executive Directors are as follows:

Name	Amount (HK\$)
Mr. Arthur Lam	720,000
Mr. Mansfield Wong	720,000

Mr. Alastair Lam, a non-executive Director, has entered into an appointment letter with our Company. He has been appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the letter of appointment. The annual remuneration payable to the Mr. Alastair Lam under such letter is as follows:

Name	Amount (HK\$)
Mr. Alastair Lam	180,000

Each of the independent non-executive Directors of our Company has entered into an appointment letter with our Company. The terms and conditions of each such letters of appointment are similar in all material respects. Each of the independent non-executive Directors are appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. The annual remuneration payable to the independent non-executive Directors under each of such letter are as follows:

Name	Amount (HK\$)
Mr. Chung Koon Yan	180,000
Mr. Cheung Yick Hung Jackie	180,000
Dr. Wong Chi Ying Anthony	180,000

### 2. Directors' remunerations

The aggregate remuneration paid by our Group to the Directors in respect of the two years ended 31 March 2013 and 31 March 2014 and the six months ended 30 September 2014 were approximately HK\$879,000, HK\$879,000 and HK\$315,000 respectively.

Pursuant to the current arrangements, it is estimated that an aggregate amount of approximately HK\$0.7 million will be paid to the Directors as Directors' remuneration for the year ending 31 March 2015.

### 3. Disclosure of interests

#### (a) *Interests and short positions of our Directors and chief executive in the shares, underlying shares and debentures of our Company or its associated corporation*

Immediately following completion of the Placing and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors required to be notified to our Company and the Stock Exchange, will be as follows:

#### *Company*

<u>Name of Shareholder</u>	<u>Nature of Interest and Capacity</u>	<u>Number of Shares</u>	<u>Approximate Percentage</u>
			(%)
Mr. Alastair Lam	Personal	49,800,734	10.0% (Note 1)
Mr. Mansfield Wong	Corporate (Note 2)	47,249,204	9.4%
Mr. Arthur Lam	Personal	35,464,437	7.1%

#### Notes:

- (1) The percentage shareholding of Mr. Alastair Lam in our Company rounded up to 2 decimal places is 9.96%.
- (2) Abundance is wholly-owned by Mr. Mansfield Wong. Under the SFO, Mr. Mansfield Wong is deemed to be interested in all of the Shares owned by Abundance.

Save as disclosed above, none of our Directors or the chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) immediately following the completion of the Placing and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have taken under such provision 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 relating to securities transactions by directors, in each case once the Shares are listed on the Stock Exchange.

**(b) Interests and short positions of the substantial shareholders in the shares and underlying shares**

So far as our Directors are aware, immediately following the completion of the Placing, but taking no account of any Shares which may be issued and allotted upon the exercise of any options which may be granted under the Share Option Scheme, the persons (other than the Directors or chief executive of our Company) who have interests or short positions in the 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 which are required to be recorded in the register of our Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 5% 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 will be as follows:

*Company*

<b>Name of shareholder</b>	<b>Nature of interest and capacity</b>	<b>Number of shares</b>	<b>Approximate percentage</b>
Success Gold	Beneficial (Note 1)	41,485,315	8.3%
Miss Chan Yuk	Corporate interests (Note 1)	41,485,315	8.3%
Abundance	Beneficial (Note 2)	47,249,204	9.4%
Mrs. Linda Wong	Family (Note 2)	47,249,204	9.4%
Mrs. Fiona Lam	Family (Note 3)	35,464,437	7.1%

## Notes:

- (1) Success Gold is wholly-owned by Miss Chan Yuk. Under the SFO, Miss Chan Yuk is deemed to be interested in all of the Shares owned by Success Gold.
- (2) These Shares are registered in the name of Abundance which is wholly-owned by Mr. Mansfield Wong. Mrs. Linda Wong is the spouse of Mr. Mansfield Wong. Under the SFO, Mr. Mansfield Wong is deemed to be interested in all of the Shares owned by Abundance, and Mrs. Linda Wong is deemed to be interested in all the Shares in which Mr. Mansfield Wong is interested.
- (3) Mrs. Fiona Lam is the spouse of Mr. Arthur Lam. Under the SFO, Mrs. Fiona Lam is deemed to be interested in all of the Shares which Mr. Arthur Lam is interested.

Save as disclosed above, our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately following completion of the Placing and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying Shares that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of our Company required to be kept under section 336 of the SFO or who will be expected, directly or indirectly, to be interested in 5% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

**4. Disclaimers**

Save as disclosed in this prospectus:

- (i) none of the Directors nor any of the experts listed in paragraph D6 headed "Qualification of experts" of this Appendix is interested, directly or indirectly, in the promotion of our Company, 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;
- (ii) none of the Directors 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;

- (iii) save in connection with the Underwriting Agreement, none of the experts listed in paragraph headed “D. Other information – Qualification of experts” in this Appendix IV:
  - (a) is interested legally or beneficially in any securities of any member of our Group; or
  - (b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (iv) none of the Directors or their associates or the existing Shareholders (which to the knowledge of the Directors owns more than 5% of our Company’s issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

## D. OTHER INFORMATION

### 1. Estate duty, tax and other indemnities

Mr. Mansfield Wong, Abundance and Mr. Arthur Lam, each being a Controlling Shareholder, (the “Indemnifiers”) have entered into the Deed of Indemnity in favour of our Company (for ourselves and as trustees for each of our present subsidiaries) to provide indemnities in respect of, among other matters:

- (a) any liability of any or all members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC, Cayman Islands, BVI or of any other part of the world, and without prejudice to the generality of the foregoing includes (without limitation) profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, taxation as a result of notification of direct and indirect transfer of PRC property or assets under Circular No. 698 of the State Administration of Taxation of the PRC, corporate income tax, rates, customs and excise duties, rates, and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities whether of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC, Cayman Islands, BVI or any other part of the world (including any and all taxation resulting from the receipt by any member of our Group of any amounts paid by Indemnifiers hereunder or any change in the law or the formal/written interpretation thereof by the relevant tax authorities in any jurisdictions in which any member of our Group operates that is promulgated, published and comes into force before the Listing Date);
- (b) all reasonable costs (including all legal costs), expenses and other liabilities which any member of our Group may reasonably and properly incur in connection with:
  - (i) the investigation, the assessment or the contesting of any taxation claim;
  - (ii) the settlement of any claim under the Deed of Indemnity;
  - (iii) any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgement is given for any member of our Group; or
  - (iv) the enforcement of any such settlement or judgement,

falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm, company or corporation;

- (c) any and all losses, claims, actions, demands, liabilities, damages, costs (including but not limited to legal and other professional costs), expenses, payments, charges, outgoings, sums, penalties and fines, and regulatory punishment by any authority (whether in Hong Kong, the PRC, Cayman Islands, BVI or any part of the world) of whatever nature suffered or incurred by any member of our Group directly or indirectly as a result of or in connection with:
- (i) any default, failure or delay of any member of our Group in registering any intellectual property rights owned or acquired by any member of our Group;
  - (ii) any claim by any third party for infringement of any intellectual property rights owned, acquired or enjoyed by any member of our Group;
  - (iii) all expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties arising from any and all of the non-compliance with, or breach of any provision of, the Companies Ordinance or other applicable laws, rules or regulations by any member of our Group in their respective place of incorporations which has occurred at any time on or before the Listing Date; and
  - (iv) all claims, payments, suits, damages, settlement payments, and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the civil proceedings and non-compliance matters of any member of our Group as described in the section headed “Business – Regulatory Compliance” in this prospectus, which has occurred at any time on or before the Listing Date.

The Deed of Indemnity does not cover any claim and the Indemnifier shall be under no liability under the Deed of Indemnity in respect of taxation or liability:

- (a) to the extent that provision or reserve has been made for such taxation or liability in the audited accounts of any member of our Group for any accounting period up to 31 March 2014 and the six months ended 30 September 2014;
- (b) to the extent that such taxation or liability falling on any member of our Group in respect of any accounting period commencing on or after 1 October 2014 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any of the member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business of any member of our Group or in the ordinary course of acquiring and disposing of capital assets of any member of our Group after 1 October 2014; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment of any member of our Group created on or before 30 September 2014;
- (c) to the extent of any provision or reserve made for taxation or liability in the audited accounts of any member of our Group up to 30 September 2014 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier’s liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this sub-clause (c) to reduce the Indemnifier’s liability in respect of taxation or liability shall not be available in respect of any such liability arising thereafter; or



- (d) to the extent any taxation or liability arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the IRD or the taxation authority in the PRC, or any other relevant authority (whether in Hong Kong, the PRC, Cayman Islands, BVI or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent that such taxation or liability arises or is increased by an increase in rates of taxation or claims on or after the Listing Date with retrospective effect.

The Deed of Indemnity is conditional on the conditions set out under the section headed “Structure of the Placing – Conditions” in this prospectus being fulfilled.

The Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands and other jurisdiction in which the companies comprising our Group are incorporated.

## **2. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

## **3. Preliminary Expenses**

Our Company’s estimated preliminary expenses are approximately US\$4,200 (equivalent to approximately HK\$33,000) and are payable by our Company.

## **4. Sponsor**

The Sponsor has made an application on our Company’s behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares falling to be issued pursuant to the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The total amount of fees payable to the Sponsor by the Company is HK\$5,000,000.

**5. Particulars of the Selling Shareholders**

The details of the Selling Shareholders and number of Shares to be sold by it under the Placing are set out below:

<b>Name and address of the Selling Shareholders</b>	<b>Description</b>	<b>Number of Shares to be sold</b>
Mr. Cheung Tsun Yung Thomas 10/F, Cherry Court 12 Tai Hang Road Tai Hang Hong Kong	Merchant	7,500,000
Mr. Chow Tze Wah Flat H, Block 6, Highland Park 11 Lai Kong Street, Kwai Chung New Territories Hong Kong	Merchant	10,000,000
Mr. Sun Jianji No.27 Cui Yuan Street South South Garden Village Nam Long Town Zhongshan City Guangdong Province China	Merchant	12,500,000
Mr. Tong Chi Fung Unit 3201B, 32/F., Citicorp Centre 18 Whitfield Road Hong Kong	Merchant	10,000,000

**6. Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
BDO Limited	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
CLC International Limited	a licenced corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
GFE Law Office	Legal adviser as to PRC law
Iu, Lai & Li	Hong Kong Solicitors
Ms. Ebony Ling	Barrister-at-law in Hong Kong
Wilkinson & Grist	Hong Kong Solicitors (regarding intellectual property laws)
Ipsos Hong Kong Limited	Industry expert

**7. Consents of experts**

Each of the experts named in paragraph D6 of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

**8. Promoters**

Our Company has no promoter.

**9. Share register**

The register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

**10. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

**11. Miscellaneous**

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus,

- (a) 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;
- (b) 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;
- (c) neither our Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) none of the Directors nor any of the persons whose names are listed in section headed "Qualification of experts" of this Appendix has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (e) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
- (f) no part of the shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the shares or loan capital on any other stock exchange;
- (g) our Company has no outstanding convertible debt securities; and
- (h) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company.

**12. Bilingual Prospectus**

The English language and the Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the 32L Notice. In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed “Consents of experts” of Appendix IV to this prospectus, a statement of the name, address and description of the Selling Shareholders referred to in the paragraph headed “5. Particulars of the Selling Shareholders” in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” of Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of our Company’s Hong Kong legal advisers, Iu, Lai & Li Solicitors and Notaries of Rooms 2201, 2201A & 2202, 22nd Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Hong Kong, from 9:00 a.m. to 6:00 p.m. on Monday to Friday which is not a public holiday from the date of this prospectus up to and including 27 March 2015:

- (a) the Memorandum and the Articles;
- (b) the accountant’s report of our Group prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the letter from BDO Limited on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited statutory financial statements of each of the companies comprising our Group for the two years ended 31 March 2013 and 2014;
- (e) the letter prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the Director’s service agreements and Director’s appointment letters referred to in the paragraph headed “C. Further information about our Directors, Substantial Shareholders and experts – (1) Directors’ service agreements” in Appendix IV to this prospectus;
- (h) the rules of the Share Option Scheme referred to in the paragraph headed “A. Further information about our Company – 7. Share Option Scheme” in Appendix IV to this prospectus;
- (i) the material contracts referred to in the section headed “Summary of material contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in the paragraph headed “D. Other information – 7. Consents of experts” in Appendix IV to this prospectus;
- (k) the legal opinion issued by Ms. Ebony Ling, barrister-at-law in Hong Kong, as to certain aspects of Hong Kong law dated 13 March 2015;
- (l) the legal opinion issued by GFE Law Office, our legal adviser as to certain aspects of the PRC law dated 13 March 2015;
- (m) the legal opinion issued by Iu, Lai & Li, our Hong Kong legal adviser as to certain aspects of Hong Kong law dated 13 March 2015;
- (n) the legal opinion issued by Wilkinson & Grist, our Hong Kong legal adviser as to certain aspects of the Hong Kong law regarding intellectual property rights dated 13 March 2015;
- (o) a statement of the name, address and description of the Selling Shareholders referred to in the paragraph headed “D. Other information – 5. Particulars of the Selling Shareholders” in Appendix IV to this prospectus; and
- (p) the Ipsos Report.



**Synergy Group Holdings International Limited**  
**滙能集團控股國際有限公司**