

FINANCIAL INFORMATION

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 [REDACTED]. 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 [REDACTED] 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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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

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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 ^{Note}	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.

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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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 [REDACTED] 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 [REDACTED].

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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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 [REDACTED] from shareholders may increase our financial burdens or we may face [REDACTED] 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 [REDACTED]. 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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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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(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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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.

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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 [REDACTED].

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>

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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 ^{Note}	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.

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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.

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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
Total	<u>21,018</u>	<u>100.0</u>	<u>28,941</u>	<u>100.0</u>	<u>12,339</u>	<u>100.0</u>	<u>15,583</u>	<u>100.0</u>

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)
Gross Profit	<u>49,825</u>	<u>70.3</u>	<u>50,994</u>	<u>63.8</u>	<u>23,458</u>	<u>65.5</u>	<u>22,264</u>	<u>58.8</u>

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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.

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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
Total	14,516	100.0	12,958	100.0	6,327	100.0	4,483	100.0

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
Total	3,552	100.0	2,303	100.0	1,316	100.0	1,160	100.0

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.

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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 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 [REDACTED] 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 incurrence of non-deductible [REDACTED] 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 [REDACTED] 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
Non-current assets			
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>
Current assets			
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>
Total assets	<u>85,713</u>	<u>103,852</u>	<u>89,706</u>
Current liabilities			
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>
Net current assets	<u>22,866</u>	<u>13,282</u>	<u>28,353</u>
Total assets less current liabilities	<u>52,604</u>	<u>35,643</u>	<u>47,925</u>
Non-current liabilities			
Deposits received	1,056	573	353
Borrowings	–	–	384
Deferred tax liabilities	–	–	286
	<u>1,056</u>	<u>573</u>	<u>1,023</u>
Total liabilities	<u>34,165</u>	<u>68,782</u>	<u>42,804</u>
TOTAL NET ASSETS	<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
Capital and reserves			
Share capital	176	176	176
Reserves	<u>51,372</u>	<u>34,894</u>	<u>46,726</u>
TOTAL EQUITY	<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
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
			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
	2013	2014	30 September
	HK\$'000	HK\$'000	2014
			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
	2013	2014	30 September
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 [REDACTED] 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 [REDACTED] expenses of approximately [REDACTED]. Accruals further increased to approximately HK\$3.5 million as at 30 September 2014, primarily due to increase in provision for [REDACTED] expenses of approximately [REDACTED]. 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 [REDACTED] 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 [REDACTED] 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 [REDACTED].

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>
Cash and cash equivalents at the end of the year/period	<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 [REDACTED], 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)
Current assets				
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)
Current liabilities				
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>
Net current assets	<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.

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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, [REDACTED] 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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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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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.

[REDACTED] INCURRED

The total estimated [REDACTED] in connection with the [REDACTED] will be approximately [REDACTED]. Of this amount, approximately [REDACTED] will be borne by our Group and approximately [REDACTED] will be borne by the [REDACTED]. Up to 30 September 2014, we have incurred [REDACTED] of approximately [REDACTED].

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 [REDACTED] of [REDACTED] (being the [REDACTED] and the assumption that [REDACTED] expected to be issued under [REDACTED] and [REDACTED] are issued and outstanding immediately following [REDACTED] and is subject to reallocation based on the actual expenses incurred or to be incurred.

Our Group anticipates that the [REDACTED] in the sum of approximately [REDACTED] will be charged to the profit or loss of our Group for the year ending 31 March 2015. The said amount represents approximately [REDACTED] 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 [REDACTED].

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 [REDACTED], 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.

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Bank loan

The following table sets forth the bank loan as of the dates indicated:

	As at 31 March		As at	As at
	2013	2014	30 September	31 January
	HK\$'000	HK\$'000	2014	2015
			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	As at
	2013	2014	30 September	31 January
	HK\$'000	HK\$'000	2014	2015
			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	As at
	2013	2014	30 September	31 January
	HK\$'000	HK\$'000	2014	2015
			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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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 [REDACTED], 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 [REDACTED] from the [REDACTED], 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 [REDACTED].

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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)
Capital expenditure in connection with:				
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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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 [REDACTED], 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.

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[REDACTED]

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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 [REDACTED], 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 [REDACTED].