IMS GROUP HOLDINGS LIMITED

英馬斯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8136

Annual Report

2017/2018

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tam Yat Ming Andrew
(Chairman and Chief Executive Officer)
Mr. Yeung Wun Tang Andy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Yin Kam
Mr. Ha Yiu Wing
Dr. Wilson Lee

COMPANY SECRETARY

Mr. Chau Wing Wo

COMPLIANCE OFFICER

Mr. Tam Yat Ming Andrew

AUTHORISED REPRESENTATIVES

Mr. Tam Yat Ming Andrew
Mr. Yeung Wun Tang Andy

AUDIT COMMITTEE

Mr. Chu Yin Kam *(Chairman)*
Mr. Ha Yiu Wing
Dr. Wilson Lee

REMUNERATION COMMITTEE

Dr. Wilson Lee *(Chairman)*
Mr. Ha Yiu Wing
Mr. Tam Yat Ming Andrew

NOMINATION COMMITTEE

Mr. Ha Yiu Wing *(Chairman)*
Mr. Chu Yin Kam
Dr. Wilson Lee

AUDITOR

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CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

8136

COMPANY'S WEBSITE

www.ims512.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I am pleased to present the annual report of IMS Group Holdings Limited for the year ended 31 March 2018 (the "**Year**").

This year was a challenging but rewarding year to our Group. The successful listing on the GEM of Stock Exchange on 25 January 2018 (the "**Listing**") marked an important milestone of the Group. Although due to the huge listing fee and relevant professional fees incurred for the Listing of the Company, the Group has recorded a significant decrease in profit after tax for the Year, we believe through the Listing, our Group's reputation has been enhanced, which will help the Group to explore more opportunities in capital markets with its future business development and financial flexibility. Detailed analysis in respect of the performance of the Group for the Year is covered in the section headed "Management Discussion and Analysis" of this report.

Looking forward, continuous challenges are expected, particularly in our operation in the People's Republic of China (the "**PRC**"). The appreciation of Renminbi, the soaring material prices and increasing minimum wages imposed by the PRC government will create extra financial burdens on the Group. Moreover, the US-China trade war may bring uncertainties to our business. The above factors may hinder the Group's performance.

Despite the potential challenges stated above, we remain optimistic towards our business. With growing affluence in the PRC, we foresee that luxury renowned brands will keep increasing their exposure in the PRC, which may derive higher demands for our services and products and provide us with a valuable opportunity to penetrate the PRC market.

We believe the key of success is our innovation and expertise in the market. Moving forward, we will strengthen our design team by employ lighting designer(s) and engineer(s) so as to remain innovative and reactive to our customers' expectation.

The Group is pleased to accept these challenges and will continue to devote more resources to create value-added service to our customers and enhance our values to our business partners.

Meanwhile, the Group will continue looking for business opportunities and investment opportunities in the PRC and Asia Pacific region to enlarge our business network.

APPRECIATION

Last but not least, on behalf of the Board, I would like to express my gratitude to all shareholders, business partners and customers for their staunch support. In addition, I would like to take this opportunity to extend my deepest appreciation to all our staff members for their continuous and valuable contribution to the Group. We will continue to work hard to bring fruitful returns to our stakeholders.

Tam Yat Ming Andrew
Chairman and Chief Executive Officer

Hong Kong, 25 June 2018

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Yat Ming Andrew (談一鳴), aged 52, was appointed as a Director of our Company on 15 February 2017 and redesignated as our executive Director on the same day. Mr. Tam is the chairman of the Board (the "**Chairman**"), chief executive officer (the "**CEO**") and a member of the Remuneration Committee of our Group. He has been responsible for formulating corporate strategies, overseeing the overall management and the day-to-day business operations of our Group. He has been serving as a director in our Group since April 1998 and was responsible for managing the day-to-day business operations and business development. Mr. Tam has over 12 years of experience in the LED lighting solutions industry and over 18 years of experience in the visual-audio business. Mr. Tam obtained a bachelor's degree in science from the University of Guelph, Canada, in February 1991.

Mr. Yeung Wun Tang Andy (楊援騰), aged 51, was appointed as a Director of our Company on 15 February 2017 and redesignated as our executive Director on the same day. Mr. Yeung is our chief operating officer of the Group. He has been responsible for formulating corporate strategies, overseeing the overall management and the day-to-day business operations of our Group. He was appointed as director of our Group in October 2002, where he was responsible for sales and project management. Mr. Yeung has over 12 years of experience in the LED lighting solutions industry and over 18 years of experience in the visual-audio business. Mr. Yeung obtained a bachelor of arts degree majoring in economics from the University of Regina, Canada, in May 1989.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Yin Kam (朱賢淦), aged 64, was appointed as an independent non-executive Director of our Company on 22 December 2017. Mr. Chu is the chairman of the Audit Committee and a member of the Nomination Committee. He is responsible for supervising and providing independent judgment to our Board, which includes views on financial matters. He is experienced in financial management, corporate finance and investment monitoring. Mr. Chu was the Senior Financial Controller of the Swire Group's Trading Division companies in Taiwan and Korea. He was the Director of ARC Capital Partners Limited and the Chief Financial Officer of Wisdom Sports Group (Stock Exchange code: 1661). Mr. Chu obtained a Bachelor of Commerce degree from the University of New South Wales. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants of England and Wales. He is also a Fellow of the Taxation Institute of Hong Kong.

Mr. Ha Yiu Wing (夏耀榮), aged 55, was appointed as an independent non-executive Director of our Company on 22 December 2017. Mr. Ha is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. He is responsible for supervising and providing independent judgement to our Board. Mr. Ha has over 26 years of experience in the lighting industry. He has held various management positions in the lighting division of Philips Lumileds and Philips Electronics Hong Kong Limited. Mr. Ha obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in May 1986. He has obtained certificates for completing courses on ISO 9001 and auditing of quality management systems issued by McCrae Consultants Limited in September 1998, ISO 14001 in respect of environmental management system issued by the Hong Kong Productivity Council in July 1999, ISO 9000:2000 in respect of quality system documentation issued by the Hong Kong Productivity Council in March 2002 and ISO 9001:2000 in respect of internal auditor training issued by TQC Development Centre Limited in March 2002.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Wilson Lee (李惠信), aged 51, was appointed as an independent non-executive Director of our Company on 22 December 2017. Dr. Lee is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He is responsible for supervising and providing independent judgement to our Board. Since December 2007, he has been a specialist in orthodontics at Central Orthodontics Limited in Hong Kong, responsible for the overall management of such specialist practice and providing professional orthodontics services. Dr. Lee has been appointed as an executive committee member of The Hong Kong Anti-cancer Society since November 2014. Dr. Lee obtained a master of business administration degree from Rochester Institute of Technology in New York, U.S. in May 1993. He also obtained a bachelor's degree in science from the University of Toronto, Canada in November 1991 and a bachelor's degree in dental surgery from The University of Hong Kong in November 2001. He furthered his studies at The University of Hong Kong and obtained a master degree and advanced diploma in orthodontics in November 2007 and September 2009, respectively. Dr. Lee has been a registered dentist in Hong Kong since July 2001 and a specialist in orthodontics with the College of Dental Surgeons in Hong Kong since November 2010.

SENIOR MANAGEMENT

Mr. Chau Wing Wo (周永和), aged 34, is the financial controller of the Group and company secretary of the Company. He joined our Group in January 2017 and is primarily responsible for the financial matters of our Group. Mr. Chau has approximately 10 years of experience in accounting and financial management. Prior to joining our Group, he worked in CITIC Dameng Holdings Ltd (Stock Exchange stock code: 1091) from May 2012 to January 2017 and served as an assistant manager of the finance department from March 2016 to January 2017 where he was primarily responsible for preparing financial statements, budgeting and financial compliance. Mr. Chau obtained a bachelor of business administration degree in accounting and finance from The University of Hong Kong in November 2007. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 2011.

Mr. Lo King Shun (盧景純), aged 55, is the senior manager of engineering and quality assurance of our Group. He joined our Group in February 2004 and is primarily responsible for engineering and quality assurance of lighting and audio visual products for projects of the Group. In May 2011, Mr. Lo has been promoted as Senior Manager of the Technical Department of MIS Technology Projects, responsible for overseeing the quality control of products and services provided by the Group. In February 2015, Mr. Lo was further employed as the Senior Manager of Bluelite Illumination Limited. Mr. Lo has over 10 years of experience in project management. Mr. Lo completed his secondary school education in July 1981.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in provision of light-emitting diode ("**LED**") lighting fixtures and integrated LED lighting solution services for retail stores of world-renowned end-user luxury brands mainly in the Asia market.

For the year ended 31 March 2018, the Group recorded revenue of approximately HK$65.9 million and loss attributable to the owners of parent of approximately HK$3.5 million, as compared to revenue of HK$67.4 million and profit attributable to owners of the Company of HK$16.4 million for the year ended 31 March 2017. The Group considers the decline in revenue was mainly caused by delay in revenue recognition as a result of delay in handover of certain projects to our customers. As for the decline in profit attributable to owners of the Company, it was caused by increase in non-recurring listing expenses in accordance to the listing progress, increase in staff costs owing to increase in average salary and number of staff, and increase in the Group's administrative expenses for the year ended 31 March 2018 as compared to last year because of higher professional fees incurred relating to the listing of the Company's shares on GEM and higher rental expenses incurred as the Group has entered into a tenancy agreement for its headquarter during the year.

The following table sets forth the details of the Group's revenue sources:

	For the year ended 31 March			
	2018		2017	
Revenue sources	HK$'million	%	HK$'million	%
Sales of LED lighting fixtures	59.7	90.6	51.0	75.7
Integrated LED lighting solution services	2.0	3.0	10.6	15.7
LED lighting system consultation and maintenance services	2.5	3.8	1.4	2.1
Sales of visual-audio systems	1.7	2.6	4.4	6.5
	65.9	100.0	67.4	100.0

Sales of LED lighting fixtures

Our revenue generated from sales of LED lighting fixtures has increased from HK$51.0 million for the year ended 31 March 2017 to HK$59.7 million for the year ended 31 March 2018, representing an increase of 17.1% in this segment. Upon the commencement of business of Shenzhen CH Alliance Trading Co. Ltd at the end of 2016, we have set up a platform to enter the PRC market and hence increased our revenue through this platform.

Integrated LED lighting solution services

Our revenue generated from integrated LED lighting solution services has drastically decreased from HK$10.6 million for the year ended 31 March 2017 to HK$2.0 million for the year ended 31 March 2018, representing a decrease of 81.1% in this segment. With growing awareness on environmental protection practices, this leads to the shift in demand from facades to interior fixtures for several major end-user luxury brands as this can reduce the energy consumption of a retail store in general.

LED lighting system consultation and maintenance service

Our revenue generated from LED lighting system consultation and maintenance service has increased from HK$1.4 million for the year ended 31 March 2017 to HK$2.5 million for the year ended 31 March 2018. The increase in maintenance service income is directly related to the increase in projects completed for the year ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of visual-audio systems

As we have reallocated resources to other segment so as to place our focus on sales of LED lighting fixtures, no additional resources have been deployed to this segment, resulting in a decrease in revenue in this segment of HK$2.7 million or 61.4%, to HK$1.7 million for the year ended 31 March 2018.

FINANCIAL REVIEW

Revenue

Our revenue decreased slightly from HK$67.4 million for the year ended 31 March 2017 by HK$1.5 million or 2.2%, to HK$65.9 million for the year ended 31 March 2018. Although sales of LED lighting fixtures increased by HK$8.7 million for the year ended 31 March 2018, this has been offset principally by the decrease in revenue generated from our integrated LED lighting solution services.

Direct Costs

Our direct costs increased from HK$28.6 million for the year ended 31 March 2017 by HK$3.0 million or 10.5%, to HK$31.6 million for the year ended 31 March 2018. Despite the decrease in revenue for the year ended 31 March 2018, increase in direct costs is caused by change in sales mix, resulting in more components cost were incurred for sales of LED lighting fixtures projects.

Gross Profit

With the impact of above factors, gross profit decreased from HK$38.9 million by HK$4.5 million or 11.6%, to HK$34.4 million.

Other Income, Gains and Losses

Our other income, gains and losses decreased from HK$1.8 million for the year ended 31 March 2017 to HK$81,000 for the year ended 31 March 2018. We recorded a gain on disposal of a motor vehicle and sale of components amounted to HK$1.1 million and HK$342,000 respectively for the year ended 31 March 2017, while no such event occurred for the year ended 31 March 2018.

Administrative Expenses

Our administrative expenses mainly comprise of salaries and allowance expenses, accounting for HK$13.3 million and HK$10.9 million for the year ended 31 March 2018 and 2017 respectively. Administrative expenses increased from HK$15.7 million for the year ended 31 March 2017 by HK$5.3 million or 33.4%, to HK$21.0 million for the year ended 31 March 2018. The increase in administrative expenses was primarily due to the increase in headcount and monthly salary on average for the year ended 31 March 2018. Meanwhile, we have leased an extra premise for office purpose, which lead to an increase in rental expense by HK$0.5 million. Owing to the Listing, there is an increase in legal and professional fees and auditor's remuneration of HK$1.1 million in aggregate, and increase in provision for impairment on long aged trade receivables of HK$0.6 million for the year.

Finance Costs

Finance costs of HK$147,000 has been incurred for the year ended 31 March 2018, which represents interest expense on a bank borrowing amounted to HK$1.9 million drawn down during the year. The bank borrowing has been repaid in full during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Listing Expenses

Listing expense increased by HK$9.0 million, from HK$4.1 million for the year ended 31 March 2017 to HK$13.1 million for the year ended 31 March 2018, which is in line with the listing progress.

Income Tax Expense

Despite the net profit before tax has decreased by HK$20.6 million, income tax expense decreased from HK$4.4 million by HK$0.6 million or 13.6%, to HK$3.8 million for the year ended 31 March 2018. It is because the non-deductible IPO expense has increased by HK$9.0 million, and the net profit in the PRC is subject to a higher tax rate, has increased when compared to the year ended 31 March 2017.

(Loss)/profit for the year

The group recorded a loss of approximately HK$3.5 million attributable to owners of the Company for the year ended 31 March 2018. Compared to the profit attributable to owners of parent of HK$16.4 million for the year ended 31 March 2017, the decrease is principally caused by the increase in listing expense of HK$9.0 million during the year.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2018 (2017: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The group financed our operations primarily through cash generated from our operating activities. As at 31 March 2018, we did not have any bank borrowings.

Liquidity ratios

	2018	2017
Current ratio	**4.8**	1.3
Quick ratio	**4.7**	1.2

Current ratio: The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year.

Quick ratio: The quick ratio is calculated by dividing current assets minus inventories with current liabilities as at the end of the respective year.

The significant increase in both current ratio and quick ratio was mainly due to the receipt of net proceeds from IPO during the year.

Cash and bank balances

As at 31 March 2018, the currency denomination of the Group's cash and bank balances are as follow:

Currency denomination	**2018 HK$ million**	2017 HK$ million
Denominated in:		
HKD	**44.1**	29.7
RMB	**11.1**	2.1
	55.2	31.8

MANAGEMENT DISCUSSION AND ANALYSIS

Net current assets

As at 31 March 2018, the Group had net current assets of HK$58.9 million (2017: HK$10.5 million).

Total equity

The equity of the Group mainly comprises share capital, share premium and reserves. The Group's total equity attributable to owners of the Company amounted to HK$60.0 million (2017: HK$10.8 million).

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 25 January 2018 ("**Listing Date**"). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

TREASURY POLICY

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

Majority of the Group's business operations were conducted in Hong Kong and the PRC. The sales of the Group are denominated in Hong Kong dollars and Renminbi, which were the functional currencies. The purchases of the Group are denominated in Renminbi, Hong Kong dollars and US dollars. During the year, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year.

PLEDGE OF ASSETS

As at 31 March 2018, the Group did not pledge any assets (2017: nil).

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any contingent liabilities (2017: nil).

CAPITAL EXPENDITURE

During the year, the Group acquired items of property, plant and equipment of approximately HK$0.6 million (2017: HK$55,000).

CAPITAL COMMITMENT

As at 31 March 2018, the Group did not have any capital commitment (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, including our executive directors, the Group had a total of 37 (as at 31 March 2017: 35) employees, of which 34 employees were in Hong Kong and 3 employees were in the PRC.

Human resources are vital to our business. Compliance with external competitiveness and internal equity principle, the Group regularly reviews its remuneration plan in accordance with the employees' experience, responsibilities and performance, etc. to ensure that remuneration is in line with market competitiveness. The Group is committed to providing fair market remuneration in form and value to attract, retain and motivate high quality employees. The Group operates the following retirement schemes for its employees:

(1) a defined scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for those employees in Hong Kong who are eligible to participate; and

(2) a "five social insurance and one housing fund" retirement pension scheme in accordance with the Retirement Policy of the Chinese Government for PRC employees.

Furthermore, the Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") on 22 December 2017 so as to motivate, attract and retain right employees.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any significant investments as at 31 March 2018 (2017: nil). The Group did not have any material acquisition and disposal of subsidiary or affiliated company during the year ended 31 March 2018 (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM IPO AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Up to 31 March 2018, we utilized the net proceeds raised from the IPO in accordance with the designated uses set out in the prospectus issued by the Company on 11 January 2018 (the"**Prospectus**") as follows:

Description	Amount designated in the Prospectus	Planned use of proceeds from Listing Date to 31.3.2018	Amount utilised up to 31.3.2018	% utilised
	HK$'M	HK$'M	HK$'M	
Setting up a factory				
— Rental of factory and staff quarters	2.0	—	—	0.0%
— Operating expense including staff costs	3.9	—	—	0.0%
— Purchasing computer numeric control machines, three dimensional printer and testing equipment	3.7	—	—	0.0%
— Capital expendiuture including renovation and purchasing furniture and equipment	1.0	—	—	0.0%
Subtotal	10.6	—	—	0.0%
Recuriting high caliber staff	4.3	0.2	—	0.0%
Pursuing suitable acquistions	13.0	—	—	0.0%
Enhancing our enterprise resource planning ("ERP") system	3.7	1.5	—	0.0%
Expanding and upgrading the infrasturcture of our workshop and office	1.9	0.6	—	0.0%
Working capital and general corporate	1.2	1.2	1.2	100.0%
Grand total	34.7	3.5	1.2	3.5%

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the designated and actual implementation plan up to 31 March 2018:

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
Setting up a factory	— Renting a factory and staff quarters in Guangdong Province, PRC based on the rent, geographic location and ease of access to high calibre staff	— Postponed owing to the US-China trade war
	— Renovating the factory	
Recruiting high calibre staff	— Continuously reviewing the performance of our staff in relation to our business performance	— Continuously reviewing the performance of our staff in relation to our business performance
	— Seeking suitable candidates for the position of lighting designer, marketing manager and sales coordinator	— Seeking suitable candidates for the position of lighting designer, marketing manager and sales coordinator by advertisement
	— Searching for suitable candidates to join our sales team in preparation of entry into the fast-fashion market in Hong Kong	— Searching for suitable candidates to join our sales team in preparation of entry into the fast-fashion market in Hong Kong
Pursuing suitable acquisitions	— Identifying potential acquisition target(s)	— Identifying potential acquisition target(s)

MANAGEMENT DISCUSSION AND ANALYSIS

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
Enhancing our ERP systems	— Recruiting a consultancy firm to be responsible for the implementation of an ERP system suitable for our Group, especially with a centralised inventory system and production system in our PRC factory and Hong Kong office and for the implementation to be in stages in both Hong Kong and the PRC — Setting up the enterprise resource system to integrate our various functional areas, business processes and systems — Recruiting a data entry processor to incorporate information from our existing database such as customer profile, inventory codes and bill of materials (BOM) into the ERP system — Customising, testing and modifying the ERP system in both Hong Kong and the PRC	— Evaluating ERP systems provided by consultancy firms
Expanding and upgrading in the workshop and office	— Refurbishing our workshop for dual functionality as a workshop and warehouse, and allocating more storage space to store components due to the increase in sales of LED lighting fixture — Considering the fee quotation for upgrading our information technology system and proceeding to upgrade the information technology infrastructure and the hardware and software, including the server in our workshop	— Considering the fee quotation for upgrading our information technology system and proceeding to upgrade the information technology infrastructure and the hardware and software, including the server in our workshop

MANAGEMENT DISCUSSION AND ANALYSIS

The net proceeds from the Listing, after deducting the related expenses, were approximately HK$34.7 million. Except for working capital and general corporate purpose, the Group has not yet utilised the proceeds from the Listing as of 31 March 2018 and there is no material business progress as of 31 March 2018 in respect of the business objectives set out in the Prospectus as we have been listed for only a short period of time. In addition, we are still in the process of selecting suitable ERP System. Therefore, we have not yet used the HK$1.5 million proceeds designated for enhancing our ERP System. The Company will pursue the implementation plan as disclosed in the Prospectus.

All unutilised balances have been placed in licensed bank in Hong Kong.

EVENTS AFTER REPORTING PERIOD

The Group does not have any significant events after the reporting period and up to the date of this report.

FUTURE DEVELOPMENT AND OUTLOOK

Our goal is to be one of the leading LED lighting solutions providers in Hong Kong. The Shares were successfully listed on GEM of the Stock Exchange on the Listing Date. The net proceeds from the Share Offer enables us to have sufficient financial resources to broaden our customer bases and achieve cost savings through setup of our own factory in the future.

Global retail market starts to recover recently, driven by the global economic recovery and supported by the fiscal and monetary stimuli in major countries. In addition, Asia (especially the PRC) is the rising engine of the global economy. With these underlying factors, we expect there will be rising domestic demand towards our luxury renowned brands.

However, the on-going US-China trade war adds uncertainties to our business. For instance, tariff has been imposed on steel and aluminum, which leads to the increase in metal price. Aluminum is one of the major materials we used in our products and hence, the cost of LED lighting fixtures will inevitably increase. Moreover, our major component, LED chips, are sourced from the United States, which would be potentially affected by steps taken by the United States. In response to the potential threat from the US-China trade war, we have started to locate LED chips sourced from Japan and Korea as substitute to our US LED chips. On the contrary, entry barrier may be imposed by the PRC to block our potential competitors, from the United States, to enter the PRC market. We could take this opportunity to enlarge our market in the PRC. Our management team will closely monitor and assess the potential impact of the US-China trade war on our business.

Looking forward, the Group expects the growing affluence of residents in the PRC will attract the luxury renowned brands to increase their exposure in the PRC, which provides us valuable opportunities to further penetrate into the PRC market. Leveraging the support of the capital market, our own strengths, the global trends of energy saving and environment protection, and the potential threat from the US-China trade war, the Group is cautiously optimistic on its development in the future. We will strive to maintain steady growth and to maximise returns for our investors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report (the "**ESG Report**") published by IMS Group Holdings Limited ("**IMS Group**" or the "**Company**", together with its subsidiaries, the "**Group**"). By reporting the policies, measures and performances of the Group in environmental, social and governmental aspects, it allows all stakeholders to better understand the progress of the Group towards sustainability. The ESG Report is available on the website of the Company www.ims512.com and the Stock Exchange of Hong Kong Limited ("**SEHK**").

Reporting Boundary

The ESG Report focuses on the operations of the Group's business segments in the sales of LED lighting fixtures, provision of integrated LED lighting solution services, project consultancy and LED lighting system maintenance services, and sales of visual-audio systems between 1 April 2017 and 31 March 2018 ("**the reporting year**") at the Group's headquarters office in Hong Kong.

Reporting Standard

The ESG Report is prepared in accordance with the 'comply or explain' provisions of Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") contained in Appendix 20 of the GEM Listing Rules. The four reporting principles: materiality; quantitative; balance; and consistency form the backbone of the ESG Report. To ensure the accuracy of environmental key performance indicators, the Group commissioned a professional consultancy, Carbon Care Asia ("**CCA**"), to conduct a carbon assessment. In addition, selected key performance indicators that are categorised by the ESG Reporting Guide as 'recommended disclosures' are included for enhanced reporting. A complete index is inserted in the last chapter for reader's easy reference.

Confirmation and Approval

The information documented in the ESG Report is sourced from the official documents, statistical data, management and operation information of and collected by the Group according to the policies of the Group. The ESG Report has been confirmed and approved by the board of directors on 25 June 2018.

Opinion and Feedback

The Group values the opinion of stakeholders. If you have any questions or suggestions regarding the content or format of the report, please contact the Group through the following channels:

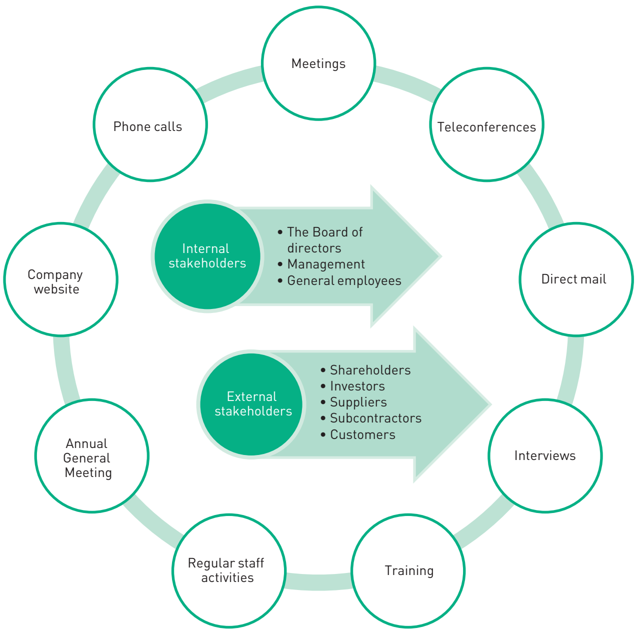
IMS Group Holdings Limited
Mailing address: Room 1, 18/F, 148 Electric Road, North Point, Hong Kong
Email: info@imsgroupholdings.com
Fax: +852-2856-9700

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

As a key in the business management of the Group, stakeholder[1] participation helps the Group review potential risks and business opportunities. Exchange with stakeholders and understanding their views allow the Group to better fulfil their needs and expectations with its business practice and manage different stakeholders' opinions. The Group constantly communicates with key internal and external stakeholders via various channels. This ensures that they have the opportunity to learn about the Group's development and operation directions and offers the Group the chance to listen to them in order to identify the priority of issues and develop corresponding policies.

Main means of stakeholder engagement



Material sustainability issues in the reporting year

To formulate the Group's sustainability strategy and direction and to identify the most important environmental and social issues for the Group and its stakeholders, the Group commissioned CCA to conduct a management interview. Combining the results of the interview and expert advice, the Group has identified four material issues from the eleven environmental and social aspects from the ESG Reporting Guide to be the material focus of the ESG Report.

Emissions	Supply Chain Management	Product Responsibility	Anti-corruption

To ensure the effectiveness of stakeholder engagement, the Group dedicates itself to establishing communication mechanisms for transparency, integrity and accuracy and providing timely response to the stakeholders. Looking ahead, the Group will explore more possibilities to strengthen its interaction among different stakeholders.

1 Stakeholders refer to groups or individuals materially influencing or affected by the Group's business. Internal stakeholders include board of directors, management, and general employees. External stakeholders include shareholders, investors, suppliers, subcontractors and customers etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MESSAGE FROM THE MANAGEMENT

I am pleased to present the first Environmental, Social and Governance Report of IMS Group Holdings Limited. As a provider of bespoke LED lighting products and services for the luxury renowned brands in Asia, the Group is aware of the environmental and social impacts of its business activities. Incorporating sustainability considerations in our business decisions allows us to meet the expectations of our stakeholders especially with regard to the environment, our supply chain and product responsibility.

To effectively manage its environmental impacts, gathering accurate data is our first step. The Group commissioned a consultancy to conduct a carbon assessment of its business activities this year. In addition, provisions in the Group's Green Office Policy set a guideline for employees to reduce consumption of electricity to reduce emission of greenhouse gases.

The Group values the sustainable development of the entire value chain and acknowledges the possible social and environmental impacts of its sourcing activities. To eliminate potential sustainability-related risks in the supply chain, the Group works closely with business partners to assess their environmental and social performance and explain to them its requirements.

The Group places a high emphasis on product responsibility. Through strengthening our research and development capabilities and project management, the Group consistently refines the quality control of its products and services. To meet the expectation of clients, the Group's direction is to manufacture environmentally friendly products.

To ensure the healthy development of society, the Group adopts effective monitoring and internal control schemes to prevent corruption. The Group is keen on spreading anti-corruption awareness among its employees and business partners.

By enhancing engagement with all our stakeholders, the Group is prepared to move towards a sustainable approach to business. Working hand in hand with employees and business partners, the Group will continue to seek ways to contribute to the environment and society.

IMS Group Holdings Limited
Mr. Tam Yat Ming Andrew
Chairman and Chief Executive Officer

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING THE ENVIRONMENT

Understanding the need to mitigating the risks of climate change and minimising its negative impact on the environment, the Group has established the Green Office Policy in the reporting year providing guidance in managing emissions and use of resources at its headquarters.

Emissions

Air emissions

The major source of the Group's air pollutants was vehicle use, involving air emissions of Nitrogen Oxides, Sulphur Oxides and Respirable Suspended Particles.

Air Emissions	
Air Pollutants	**Total Emissions (kg)**
Nitrogen Oxides	6.5
Sulphur Oxides	0.02
Respirable Suspended Particles	0.60

Greenhouse gas emissions

In the reporting year, the Group engaged CCA to quantify the greenhouse gas ("**GHG**") emissions from its operations through carbon assessment. The quantification process was based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong as well as other international standards.

Total GHG Emissions 139.8 tonnes CO2-equivalent	Emissions by Purchased Electricity (% of total) 37.6%	Carbon Intensity (by no. of employees) 4.2 tonnes per employee

Electricity consumption was the largest contributor to the Group's GHG emissions, followed by indirect emissions from business travel by air.

The Group will continue to assess, record and disclose its GHG emissions annually. Data in the reporting year will be used as a baseline for comparison against the data in the coming years, which will form the foundation for establishing a more refined carbon reduction strategy.

Waste

With regard to waste management, the Group emphasized reducing waste at source at its headquarters. Recycling bins were installed to collect used paper products. Double-sided printing and reuse of stationeries such as folders and envelopes as well as product packaging boxes were encouraged by the Group. Employees were also encouraged to bring their own cups and avoid using paper cups. There was no hazardous waste produced by the Group in the reporting year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

The Group used a wide range of resources including electricity for daily operations, fuel consumption for vehicle use and paper consumption. For energy use, purchased electricity was the largest type of energy end-use, mainly for electrical appliances at the Group's headquarters.

Direct Energy Consumption in Total 40.1 GJ	Indirect Energy Consumption in Total 66.6 MWh	Amount of Office Paper Purchased 688.6 kg

The Group recognises that a core component of maintaining sustainable development is to manage its use of resources. Committed to utilising resources in an efficient and responsible manner, the Group has engaged its employees in practising various resource saving measures in daily operations as stated in its Green Office Policy.

Resources	Measure highlights
Energy	• Install high-performance electrical equipment; • Install sun control window films to better control indoor temperature and reduce the need for air conditioning; • Select and purchase high energy efficiency equipment with grade 1 energy labels by the Electrical and Mechanical Services Department; • Turn off lights and unnecessary energy devices when not in use; • Deploy natural light as much as possible; and • Clean the dust filter of air-conditioner regularly.
Paper	• Install recycling bins to collect used paper products; • Install trays next to printers for placing one-sided printed waste paper to encourage employees to reuse; • Adopt double-sided printing; • Writing on both sides of papers; and • Send waste paper (other than those containing confidential information) to paper mills/scrap paper companies for recycling.
Water	• Monitor water consumption for any irregularities; • Repair dripping faucet/hose in a timely manner; and • Adopt effective water-saving production methods and instruments.

In the future, the Group will progress towards a more comprehensive resource management approach, reviewing its energy and water usage regularly and promoting more sustainable practices in its operation.

The Environment and Natural Resources

Beyond the emissions and use of resources, the nature of the Group's business does not have a significant impact on the environment and natural resources in its sphere of operation.

The Group abided by all related environmental laws and regulations in its daily operations. During the reporting year, the Group did not identify any non-compliance cases relating to environmental laws and regulations (such as the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) and the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)) in the reporting scope.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPLOYMENT AND LABOUR PRACTICES

Employee Well-Being

Creating a work environment that values equal opportunities and diversity is a focus of the Group. The Group's Employee Handbook has established employment policies including but not limited to compensation, termination, working hours, equal employment opportunity and benefits. With an emphasis on equal opportunity, the Group's policies state that employees and applicants should be treated equally without regard to their race, religion, colour, sex, sexual orientation, national origin, age or marital status.

The Group provides employees with overtime travelling allowance for work outside standard working hours, local and overseas travelling allowance as well as medical benefits. Moreover, discretionary incentive bonuses may also be granted to employees, subject to the Group's financial performance and employees' achievements against their individual performance objectives and targets.

Health and Safety

The Group is committed to providing a safe and healthy workplace. As stated in the Employee Handbook, office safety rules have been established regarding fire safety and electrical safety. For instance, employees should refrain from smoking at the workplace, familiarize themselves with emergency exits and routes, and report to management regarding any faulty equipment.

The Group's operations currently do not involve positions of high occupational hazards. With a plan to establish its own manufacturing site, the Group will in the future develop its policies for health and safety in a manufacturing setting.

Training and Development

The Group dedicates itself to providing employees opportunities to learn. The Group regards training as an effective way for employees to improve and prepare for future growth and challenges. Acknowledging that employees have various training needs, the Group provides sponsorship to encourage employees to seek external job-related training opportunities.

For the career development of employees, annual performance review is conducted to identify employees' development opportunities, with discussions on the employees' responsibilities, training needs and ways to attain their personal and professional goals.

In the future, besides occupational training provided by third parties, the Group will also devise a more comprehensive training and development plan for its employees to advance their career.

Labour Standards

Forced and child labour are business as well as ethical issues that concern possible infringement of basic human rights and put the Group's reputation at risk. The Group complies with Employment Ordinance (Chapter 57 of the Laws of Hong Kong) to avoid child and forced labour in its operations. Employees responsible for recruitment are well informed of the laws and regulations regarding child labour and forced labour, and will ensure that all of

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

candidates' identification documents are fully examined and verified at recruitment. In the future, the Group will consider refining its policies and procedures on preventing child and forced labour in its operations.

During the reporting year, the Group complied fully with laws and regulations relating to employment, providing a safe working environment and protecting employees from occupational hazards, as well as preventing child and forced labour.

OPERATING PRACTICES

Supply Chain Management

By active management of its supply chain, the Group aims at maximising value for customers and achieving a sustainable competitive advantage. The Group's major vendors are the suppliers and subcontractors for its LED products and services. These parties are required to comply with the Group's Supply Chain Management Policy established in the reporting year.

In its supplier selection process, in addition to considering factors such as timeliness, quality and product certifications, the Group also emphasises the environmental and social responsibilities of suppliers based on its Supply Chain Management Policy, as well as concepts of green procurement covered in its Green Office Policy.

Environmental responsibilities	• Comply with environmental laws and regulations of the local government; • Reduce emissions of GHG and waste in operations; • Reduce use of packaging materials; and • Use environmental friendly materials when feasible.
Social responsibilities	• Ensure the safety and health of employees; and • Prohibit child labour and forced labour.

To evaluate the performance of suppliers, the Group monitors suppliers periodically based on the criteria above and updates its approved supplier list accordingly. The Quality Assurance Department of the Group is mainly responsible in inspections of suppliers regarding their work quality and progress.

Product Responsibility

The Group's principal products and services relate to the sales of LED lighting fixtures. In the reporting year, the Group has established a Product Responsibility Policy to demonstrate its commitment in managing the quality and safety of its products and services, customer feedback, protection of intellectual property rights as well as consumer data and privacy.

Quality and safety management

To meet the product regulatory compliance requirements of the countries where the Group's products are sold, the Group ensures products have obtained relevant certifications such as the China Compulsory Certification, Korea Certification Mark, Regulatory Compliance Mark, Product Safety Electrical Appliance & Material Mark and the CE Mark, etc.

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Regarding the management of product quality issues, the Group provides a one-year warranty period for sales of LED lighting fixtures. For further investigation and improvement, faulty products are sent to the Quality Assurance Department as well as the Research and Development Department. As for its integrated LED lighting solution projects, a warranty period ranging from one to three years is also provided, followed by on-site inspection and solutions offering when issues arise. During the reporting year, there were no cases of product recalls for safety and health reasons.

Customer satisfaction

The Group values feedback from customers for continuous improvement of its products and services. In order to better understand the opinion of customers, the Group encourages customers to meet with sales personnel or share their feedback to the Group's customer service email address. No major complaints relating to the Group's products or services were received in the reporting year.

Intellectual property rights

The Group acknowledges the importance of protecting intellectual property and strives to protect intellectual property rights of others, including design patents of relevant products. In the Group's Employee Handbook, it is stated that copyrights and all other intellectual and proprietary rights in any documents and other materials produced by employees during the course of their employment belong to the Group. Employees are aware of their responsibilities in ensuring the originality of the documents and materials they produce, without infringing the rights of any third party.

The Group's operations do not involve advertising and labelling issues. In the future, the Group will refine its Product Responsibility Policy regarding consumer data protection and privacy. During the reporting year, the Group did not identify any non-compliance with laws and regulations (such as the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)) relating to product responsibility.

Anti-corruption

Code of conduct

In line with the Employee Handbook, the Group commits itself to complying with all laws and regulations (such as the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)) on anti-corruption. Employees are well informed of the Group's requirements regarding their behaviour, for instance, employees must not give or accept gifts or other benefits, and should declare to management if any gifts are above HKD5,000 in value. When there is doubt on whether to accept a gift or benefit, employees are advised to consult their managers, and the compliance officer where necessary. In addition, any conflict of interest must also be declared to the Group in writing. Disciplinary procedures will be followed if there are breaches of the Group's requirements.

Whistleblowing

The Group is committed to maintaining openness, probity and accountability. The Whistleblowing Policy adopted in the reporting year encourages employees to raise their concerns about any suspected misconduct or malpractice, and reassures employees that they will be protected from reprisals or victimisation for whistleblowing in good faith. The Group strives to keep the process and the identities of whistleblowers confidential unless disclosure is required by third parties during investigation in accordance with relevant laws and regulations.

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Investigation procedures

During the reporting year, there were no cases of non-compliance or legal cases in relation to corruption within the reporting scope.

INVESTING IN SOCIETY

As a caring enterprise, the Group is keen on understanding the needs and fulfilling the expectations of various stakeholders and the communities in which the Group provides its products and services. The Group has developed the Community Investment Policy in the reporting year, stating its approach to support charitable organisations and non-governmental organisations, and encourage employees to contribute their expertise in the Group's community investment initiatives.

In the future, the Group will identify its focus areas of contribution and formulate its community investment strategy with consideration of the needs of the community.

KEY PERFORMANCE INDICATORS

Environmental Performance

	Type	Emissions (kg)
Air pollutants	Nitrogen Oxides	6.5
	Sulphur Oxides	0.02
	Respirable Suspended Particles	0.6

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	Scope	Emissions (tonnes CO2-e)
GHG emissions	Scope 1: Direct emissions	3.1
	Scope 2: Energy indirect emissions	52.6
	Scope 3: Other indirect emissions	84.1
	GHG emissions in total (Scope 1, 2 and 3)	139.8
	GHG intensity (tonnes CO2-e/employee)	4.2

	Type	Amount (tonnes)	Waste intensity (tonnes/employee)
Waste	Hazardous waste	No hazardous waste produced in the reporting year	Not applicable
	Non-hazardous waste	799.5	24.3

Resources	Type		Amount of consumption
Energy consumption	Direct energy	Petrol (GJ)	18.5
		Diesel (GJ)	21.5
	Indirect energy	Electricity (MWh)	66.6
	Total energy consumption (GJ)		10.6
	Energy intensity (GJ/employee)		8.5
Water consumption[2]	Total water consumption		Not available
	Water intensity		Not available
Packaging material	Total packaging material used		Not applicable
	Packaging material intensity		Not applicable

Social Performance

	Gender	Employment type	Below 30	30 to 40	41 to 50	Above 50	Total	Total workforce
Number of employees	Male	C-level executives	0	0	0	2	2	34
		Senior management	0	1	0	1	2	
		Middle management	0	2	3	2	7	
		General employees	1	7	3	0	11	
	Female	C-level executives	0	0	0	0	0	
		Senior management	0	0	0	0	0	
		Middle management	0	1	2	0	3	
		General employees	3	5	1	0	9	

2 The Group used minimal water in its office operations at the headquarters and could not provide the amount of water consumption for the reporting year due to difficulties in acquiring data from the landlord of the premises.

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	Gender	Employment type	Below 30	30 to 40	41 to 50	Above 50	Total number of new employees	New employees rate
New employees	Male	C-level executives	0	0	0	0	3	9%
		Senior management	0	0	0	0		
		Middle management	0	0	0	0		
		General employees	1	0	0	0		
	Female	C-level executives	0	0	0	0		
		Senior management	0	0	0	0		
		Middle management	0	0	0	0		
		General employees	1	1	0	0		

	Gender	Employment type	Below 30	30 to 40	41 to 50	Above 50	Total employee turnover	Employee turnover rate
Employee turnover	Male	C-level executives	0	0	0	0	2	6%
		Senior management	0	0	0	0		
		Middle management	0	0	0	0		
		General employees	0	1	0	0		
	Female	C-level executives	0	0	0	0		
		Senior management	0	0	0	0		
		Middle management	0	0	0	0		
		General employees	1	0	0	0		

Ratio of basic salary and remuneration of women to men	0.7:1

Work-related fatality and injury	Number and rate of work-related fatalities	Number of work-related injury	Lost days due to work injury
	0	0	0

Number of trained employees	Gender	C-level executives	Senior management	Middle management	General employees	Percentage of employees trained
	Male	2	1	0	0	9%
	Female	0	0	0	0	

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ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/ Remarks
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	20
A1.1	The types of emissions and respective emissions data.	20, 25
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit `of production volume, per facility).	20,26
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	26
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	26
A1.5	Description of measures to mitigate emissions and results achieved.	20
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	20
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	21
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	21, 26
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	26
A2.3	Description of energy use efficiency initiatives and results achieved.	21
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	21; No issue in sourcing water
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	26
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	21
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	21

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Material Aspect	Content	Page Index/ Remarks
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	22
B1.1	Total workforce by gender, employment type, age group and geographical region.	26
B1.2	Employee turnover rate by gender, age group and geographical region.	27
GRI 401-1	Total number of new employee hires.	27
	Rate of new employee hires.	27
	Total number and rate of new employee hires by gender, age group and geographical region.	27
GRI 405-2	Ratio of basic salary and remuneration of women to men.	27
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	22
B2.1	Number and rate of work-related fatalities.	27
B2.2	Lost days due to work injury.	27
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	22
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	22
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	27
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	22-23
B4.1	Description of measures to review employment practices to avoid child and forced labour.	22-23

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Material Aspect	Content	Page Index/ Remarks
B. Social		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	23
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	23-24
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	24
B6.2	Number of products and service related complaints received and how they are dealt with.	24
B6.3	Description of practices relating to observing and protecting intellectual property rights.	24
B6.4	Description of quality assurance process and recall procedures.	23-24
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	24-25
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	25
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	24-25
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	25

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the shareholders of the Company (the "**Shareholders**").

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules from the Listing Date up to the date of this annual report (the "**Relevant Period**"). During the Relevant Period, the Directors considered that the Company has complied with the CG Code except for the deviations from code provision A2.1 of the CG code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and CEO of the Company which provides a balance of power and authority. And therefore, pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, in view of Mr. Tam Yat Ming Andrew, being the founder of the Group, with his experience and roles performed in the Group, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. Tam Yat Ming Andrew acts as the Chairman and continues to act as the CEO.

The Directors consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of power by the Board and the effective functions of the independent non-executive Directors. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and CEO is necessary.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding Directors' securities transactions adopted by the Company during the Relevant Period.

BOARD OF DIRECTORS

Functions of the Board

The Board is primarily responsible for overseeing the management of the business affairs and the overall performance of the Group. The Board sets the Group's mission and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives.

CORPORATE GOVERNANCE REPORT

Delegation by the Board

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the GEM and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate.

The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

Composition

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive directors) so that there is an independent element on the Board, which can effectively exercise independent judgment, and that non-executive Directors should be of sufficient caliber and number for their views to carry weight.

As at the date of this report, the Board comprises the following five Directors:

Executive Directors

Mr. Tam Yat Ming Andrew *(Chairman and Chief Executive Officer)*
Mr. Yeung Wun Tang Andy *(Chief Operating Officer)*

Independent Non-executive Directors ("INED")

Mr. Chu Yin Kam
Mr. Ha Yiu Wing
Dr. Wilson Lee

The biographical details of each of the Directors are set out in the section headed "Directors and Senior Management" of this report. There was no financial, business, family or other material/relevant relationship among the Directors.

In compliance with Rule 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive directors have brought in a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in the Board meetings and serving on various Board committees, all independent non-executive directors will make various contributions to the Company.

The Company has received from each independent non-executive director an annual confirmation of his independence, and the Company considers such directors to be independent in accordance with the guidelines set out in Rule 5.09 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Company will from time to time provide briefings to all Directors to develop and refresh their knowledge and skills relating to their duties and responsibilities.

All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, all Directors, namely Mr. Tam Yat Ming Andrew, Mr. Yeung Wun Tang Andy, Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers during the year ended 31 March 2018.

BOARD DIVERSITY POLICY

During the Financial Year, the Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the Board Diversity Policy.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and such letter of appointment may be terminated by either party giving at least three months' notice in writing. Also, the independent non-executive Directors are subject to re-election on retirement by rotation at the annual general meeting (the "**AGM**") in accordance with the Articles of Association of the Company.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors namely Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the year ended 31 March 2018.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held during the Relevant Period is set out in the table below:

	Number of meetings held during the Relevant period Attended/Eligible to attend			
	Board Meeting	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Number of meetings held	2	3	1	1
Executive Directors				
Mr. Tam Yat Ming Andrew *(Chairman and Chief Executive Officer)*	2/2	N/A	N/A	1/1
Mr. Yeung Wun Tang Andy *(Chief Operating Officer)*	2/2	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Chu Yin Kam	2/2	3/3	1/1	N/A
Mr. Ha Yiu Wing	2/2	3/3	1/1	1/1
Dr. Wilson Lee	2/2	3/3	1/1	1/1
Average attendence rate	100%	100%	100%	100%

During the Relevant Period, the Company has not held any general meeting.

BOARD COMMITTEES

The Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties. The written terms of reference for Board Committees are posted on the respective websites of the GEM and the Company.

Audit Committee

Our Company established an Audit Committee pursuant to a resolution of our Directors passed on 22 December 2017 in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting system, the risk management and internal control systems, effectiveness of the internal audit function, scope of audit and relationship with external auditors, and arrangements that enable employees of the Company to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters of the Company and performing the Company's corporate governance functions. At present, the Audit Committee of our Company consists of three members who are Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee. Mr. Chu Yin Kam is the chairman of the Audit Committee.

CORPORATE GOVERNANCE REPORT

During the Relevant Period, the Audit Committee held 3 meetings, at which it has reviewed and discussed the Company's audited consolidated financial results for the Financial Year, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's risk management and internal control systems as well as the Group's internal audit function. The Audit Committee has also recommended to the Board to consider the re-appointment of BDO Limited as the Company's external independent auditors at the forthcoming AGM.

Remuneration Committee

Our Company established a Remuneration Committee on 22 December 2017 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure of all Directors and senior management of our Group; to review performance-based remuneration; and to ensure none of our Directors or any of their associates determine their own remuneration. As at the reporting date, the Remuneration Committee consists of three members, namely Mr. Tam Yat Ming Andrew, Mr. Ha Yiu Wing and Dr. Wilson Lee. Dr. Wilson Lee is the chairman of the Remuneration Committee.

During the Relevant Period, the Remuneration Committee held one meeting, at which it reviewed the remuneration policy and structure for as well as the remuneration packages of all Directors and the senior management. No Director was involved in deciding his/her own remuneration.

The annual remuneration of the members of the current senior management of the Group by band is set out below:

Emoluments Band	Number of individuals
HK$0 to HK$1,000,000	2

Nomination Committee

Our Company established a Nomination Committee on 22 December 2017 with written terms of reference in compliance with paragraph A.5 of the Code of Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; make recommendations to our Board on the appointment or re-appointment of Directors and review the policy on the board diversity. As at the date of this report, the Nomination Committee consists of three members, namely Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee. Mr. Ha Yiu Wing is the chairman of the Nomination Committee.

During the Relevant Period, the Nomination Committee held one meeting, at which it (i) assessed the independence of the INEDs, and (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

INDEPENDENT AUDITORS' REMUNERATION

During the year ended 31 March 2018, BDO Limited was engaged as the Group's independent auditors. Apart from the provision of annual audit services, BDO Limited and BDO Tax Limited also provided the non-audit services in relation to the Listing.

The remuneration paid/payable to BDO Limited and BDO Tax Limited for the year ended 31 March 2018 is set out below:

Category of services	**Amounts** HK$
BDO Limited	
Audit services — Annual audit	820,000
Non-audit services — Reporting accountants fee relating to the Listing	860,000
Sub-total	1,680,000
BDO Tax Limited	
Non-audit services — Tax services fee relating to the Listing	568,000
Total	2,248,000

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility to ensure that sound and effective risk management and internal controls are maintained, while the senior management is charged with the responsibility to design and implement an internal controls system to manage risks. A sound system of risk management and internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. Nevertheless the Company engaged an external professional firm to carry out internal audit functions. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

During the year ended 31 March 2018, the Board, through the Audit Committee, conducted an annual review on the effectiveness of both the design and implementation of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2018, the Group appointed Zhonghui Anda Risk Services Limited ("**Zhonghui**") to:

— assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

— independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Zhonghui to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Zhonghui as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorized use of confidential or insider information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. In preparing the consolidated financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

The statement of external auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report.

COMPANY SECRETARY

Mr. Chau Wing Wo ("**Mr. Chau**") was appointed as the Company Secretary on 14 July 2017. He is responsible for facilitating the Board meeting process, as well as communications among Board members, shareholders and management. His biographical details are set out in section headed "Directors and Senior Management" above of this section. For the year ended 31 March 2018, Mr. Chau has taken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting (the "EGM")

Pursuant to the Article 58 of the Article of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward Proposals at a General Meeting

A shareholder shall make a written requisition to the Board or the Company Secretary at the principal place of business of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for directing Shareholders' enquires to the Board

Shareholders may at anytime send their enquiries and concerns to the Board in writing through the Company Secretary at the principal place of business of the Company in Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the GEM website "www.hkgem.com" and the Company's website at"www.ims512.com";

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

CORPORATE GOVERNANCE REPORT

(iv) annual and special general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of amended and restated memorandum and articles of association (the "**M&A**") by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 22 December 2017 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during the year ended 31 March 2018.

The amended and restated M&A is available on the respective websites of the GEM and the Company.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holdings. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

Business review of the Group for the year ended 31 March 2018 as required by Schedule 5 to the Companies Ordinance (Cap 622 of the Laws of Hong Kong), including a fair review of the Group's business and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 8 to 16 of this annual report which forms part of the report of the directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The management considers that the following are the principal risks and uncertainties faced by the Group:

(a) the key businesses of the Group are project based and we may be unable to compete effectively or secure new contracts upon the completion of our contracts on hand;

(b) failure to accurately estimate the time and costs required for projects by the Group may lead to cost overruns or even losses in our projects;

(c) the Group's performance is dependent on global economic conditions and the retail performance of luxury goods; and

(d) the Group may not remain on its customers' list of approved supplier, which may lead to a decrease in sales to certain end-user luxury brands.

For other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" in the Prospectus.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group fully understands that shareholders, customers, suppliers, subcontractors and staff are the key to our sustainable and stable development. We are committed to establishing a close relationship with our shareholders and staff, enhancing cooperation with our suppliers and subcontractors and providing value-added services to our customers so as to ensure the Group's sustainable development.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has been putting unremitting efforts in environmental protection by introducing energy-saving LED lighting fixtures.

Further discussions on the environmental policies are set out in the Environmental, Social and Governance Report on pages 17 to 30 of this annual report which forms part of the report of the directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 March 2018 and up to the date of this report, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach or non-compliance with the applicable laws and regulations by the Group during the year ended 31 March 2018 and up to the date of this report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2018 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 56 to 107 of this annual report. The Directors do not recommend the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the past three financial years, as extracted from the audited consolidated financial statements, is set out on page 108 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 23 to the consolidated financial statements.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENT

Save as the conditionally adopted Share Option Scheme, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Directors confirm that as at the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 58 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company's reserves available for distribution is its share premium account which amounted to approximately HK$50,946,000 (2017: nil).

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year, the Group did not have any significant transactions with its related parties or transactions which constituted connected transactions pursuant to Chapter 20 of the GEM Listing Rule.

MAJOR CUSTOMERS AND SUPPLIERS AND SUBCONTRACTORS

During the year, sales to the Group's five largest customers accounted for 33.8% of the total sales for the year and sales to the largest customer included therein amounted to 8.8%. Purchases from the Group's five largest suppliers and subcontractors amounted to 87.4% of the total purchases for the year and purchase from the largest supplier and subcontractors included therein amounted to 52.5%.

As far as the Directors are aware, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers and subcontractors.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year ended 31 March 2018 and up to the date of this annual report are:

EXECUTIVE DIRECTORS

Mr. Tam Yat Ming Andrew
(Chairman and Chief Executive Officer)
Mr. Yeung Wun Tang Andy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Yin Kam (appointed on 22 December 2017)
Mr. Ha Yiu Wing (appointed on 22 December 2017)
Dr. Wilson Lee (appointed on 22 December 2017)

In accordance with Article 84(1) of the Company's Articles of Association, Mr. Tam Yat Min Andrew and Mr. Ha Yiu Wing will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors of the Company and the senior management of the Company are set out on pages 6 to 7 of this annual report.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by either party giving not less than three months' written notice on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by either party giving not less than three months' written notice on the other.

Saved as disclosed above, none of the directors who proposed to be re-elected at the forthcoming AGM has entered into a service contract that are not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. The emoluments of other Directors are determined by the board of directors and the remuneration committee of the Company with reference to directors' duties, responsibilities and performance and the results of the Group. Details of remuneration of the directors are set out in note 11 to the consolidated financial statements.

EMOLUMENT POLICY

The Company has established the Remuneration Committee in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits in kind and other compensation payable to the Directors and senior management, after consultation with the Chairman and the CEO.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group.

Details of the Directors' remuneration and the five highest paid individuals are set out in notes 10 and 11 to the consolidated financial statements, respectively.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

During the year, no Director or any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company (as defined under GEM Listing Rules) (the "Controlling Shareholders") during the year ended 31 March 2018.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executive in the Shares, underlying Shares and debentures of the Company and our associated corporations

As at the date of this report, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the Shares of the Company

Name of Directors	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Yeung Wun Tang Andy	Interest in controlled corporation [1]/	337,500,000	33.75%
	Interest held jointly with another person [3]	412,500,000	41.25%
Mr. Tam Yat Ming Andrew	Interest in controlled corporation [2]/	412,500,000	41.25%
	Interest held jointly with another person [3]	337,500,000	33.75%

REPORT OF THE DIRECTORS

Notes:

(1) 337,500,000 Shares are held by Mr. Yeung Wun Tang Andy ("**Mr. Yeung**") indirectly through Eight Dimensions Investment Limited ("**Eight Dimensions**"), which is wholly-owned by Mr. Yeung.

(2) 412,500,000 Shares are held by Mr. Tam Yat Ming Andrew ("**Mr. Tam**") indirectly through The Garage Investment Limited ("**Garage Investment**"), which is wholly-owned by Mr. Tam.

(3) On 25 August 2017, Eight Dimensions, Mr. Yeung, Garage Investment and Mr. Tam entered into an acting in concert agreement, pursuant to which each of them is deemed to be interested in the entire 750,000,000 Shares held by Eight Dimensions and Garage Investment, representing 75.00% of the total issued share capital of the Company as at the Latest Practicable Date by virtue of the SFO.

Long position in the Shares of associated corporations

Name of Directors	Name of associated corporation	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Yeung Wun Tang Andy	Eight Dimensions	Beneficial owner	1	100.00%
Mr. Tam Yat Ming Andrew	Garage Investment	Beneficial owner	1	100.00%

Save as disclosed above and so far as is known to the Directors, as at the date of this report, none of the Directors nor chief executive of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

(b) Interests and short positions of substantial shareholders in the Shares, Underlying Shares and debentures of the Company

As at the date of this report, so far as is known to the Directors, the following entities and individuals (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying Shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long position in the Shares

Name	Nature of interest	Number of Shares	Percentage of shareholding
Eight Dimensions	Beneficial owner/	337,500,000	33.75%
	Interest held jointly with another person[1]	412,500,000	41.25%
Garage Investment	Beneficial owner/	412,500,000	41.25%
	Interest held jointly with another person[1]	337,500,000	33.75%

Note:

(1) On 25 August 2017, Eight Dimensions, Mr. Yeung, Garage Investment and Mr. Tam entered into an acting in concert agreement, pursuant to which each of them is deemed to be interested in the entire 750,000,000 Shares held by Eight Dimensions and Garage Investment, representing 75.00% of the total issued share capital of the Company as at the Latest Practicable Date by virtue of the SFO.

Save as disclosed above and so far as is known to the Directors, as at the date of this report, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "Other information – Disclosure of interests –Interests and short positions of Directors and chief executive in Shares, underlying Shares and debentures of the Company and our associated corporations" above, had any interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SHARE OPTION SCHEME

On 22 December 2017, the Share Option Scheme was approved and conditionally adopted by the then shareholders of the Company by way of written resolutions.

The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible Participants

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board to the following persons ("**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; and

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration.

REPORT OF THE DIRECTORS

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 100,000,000 Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may renew this limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by the Shareholders in general meeting.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

(f) Price of Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall be at the absolute discretion of the Board, provided that it shall be not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and

(iii) the nominal value of the Shares.

(g) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of the Company (the "**Adoption Date**"). Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which an offer of option is made to an Eligible Participant.

No share options have been granted by the Company under the Share Option Scheme since its adoption.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Relevant Period was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTEREST IN COMPETING BUSINESSES

The controlling shareholders (as defined under GEM Listing Rules) of the Company have entered into the deed of non-competition dated 5 January 2018 (the "**Deed of Non-competition**") in favour of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the controlling shareholders have undertaken to the Company (for itself and as trustee for each of our subsidiaries from time to time) that with effect from the Listing Date, they would not and would procure that none of their close associates (except for any members of the Group) shall, except through their interests in our Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of the Group in Hong Kong or such other places as the Group may conduct or carry on business from time to time.

Since the Listing Date and up to the date of this report, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group. The controlling shareholders of the Company have confirmed to the Company that from the Listing Date to the date of this report, they and their respective close associates (as defined under GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

Save as disclosed above, during the year and up to the date of this report, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

INTEREST OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited ("**Kingsway**") as the compliance adviser. Kingsway, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Except for the compliance adviser agreement entered into between the Company and the compliance adviser dated 15 June 2017, neither Kingsway nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or in the share capital of any member of the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is a sufficient float of more than 25% of the issued Shares as required under the GEM Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 31 to 39 of the annual report.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after the reporting period and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 March 2018 were audited by BDO Limited, the independent auditor, who shall retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor and to authorise the Directors to fix its remuneration.

On behalf of the Board of
IMS Group Holdings Limited
Tam Yat Ming Andrew
Chairman and Chief Executive Officer

Hong Kong, 25 June 2018

INDEPENDENT AUDITOR'S REPORT

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TO THE DIRECTORS OF IMS GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of IMS Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 56 to 107, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

RECOVERABILITY OF TRADE RECEIVABLES

Refer to note 18 to the consolidated financial statements

As at 31 March 2018, the Group recognised trade receivables of HK$14.6 million, which were significant to the Group as of the year end and represented 19% of total assets. In assessing the recoverability of trade receivables, management exercised significant judgement to evaluate the collectability from individual customers after taking into account their creditworthiness, history in default of payments and the ageing analysis. We identified the recoverability of trade receivables as a key audit matter as it requires management to exercise significant judgement in assessment of recoverability and the judgement has a significant impact on the level of provision required for trade receivables.

Our response:

We performed the following procedures to assess the recoverability of trade receivables:

- understood and evaluated the design and operating effectiveness of management control over the collection of trade receivables;
- understood and evaluated the credit control policy of the Group and assessed management's judgement on provision of long aged balances;
- tested on a sample basis the ageing of trade receivables at year end;
- tested on a sample basis subsequent settlements to identify if there was any indicators of impairment of trade receivables; and
- in respect of material trade receivable balances which are past due and with no subsequent settlement, inspected relevant documents and correspondence with the customers, and assessed their creditworthiness and recent historical payment patterns.

Based on the evidence available, we consider the judgement applied by management in assessing the recoverability and determination of the level of provision of trade receivables to be reasonable.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "**Audit Committee**") assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Shiu Hong NG
Practising Certificate no. P03752

Hong Kong, 25 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**65,946**	67,443
Direct costs		**(31,588)**	(28,560)
Gross profit		**34,358**	38,883
Other income	7	**97**	358
Other gains and losses, net	7	**(16)**	1,448
Administrative expenses		**(20,962)**	(15,711)
Finance costs	8	**(147)**	—
Listing expenses		**(13,105)**	(4,123)
Profit before income tax expense		**225**	20,855
Income tax expense	12	**(3,750)**	(4,428)
(Loss)/profit for the year and attributable to owners of the Company		**(3,525)**	16,427
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**803**	(85)
Other comprehensive income for the year and attributable to owners of the Company, net of tax		**803**	(85)
Total comprehensive income for the year and attributable to owners of the Company		**(2,722)**	16,342
(Loss)/earnings per share			
Basic and diluted	14	**HK cents (0.44)**	HK cents 2.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	752	583
Deposit paid under operating leases	18	640	—
		1,392	583
Current assets			
Inventories	17	552	573
Trade and other receivables	18	15,736	17,665
Tax recoverable		3,113	299
Cash and cash equivalents	19	55,238	31,755
		74,639	50,292
Total assets		76,031	50,875
Current liabilities			
Trade and other payables	20	13,441	16,438
Deferred income	21	231	137
Dividend payable	13	—	20,000
Current tax liabilities		2,032	3,216
		15,704	39,791
Net current assets		58,935	10,501
Total assets less current liabilities		60,327	11,084
Non-current liabilities			
Other payables	20	164	215
Deferred income	21	144	39
Deferred tax liabilities	16	—	35
		308	289
Total liabilities		16,012	40,080
NET ASSETS		60,019	10,795
Equity			
Share capital	23	1,000	—[1]
Reserves	24	59,019	10,795
TOTAL EQUITY		60,019	10,795

[1] Represents amount less than HK$1,000.

On behalf of the board of directors

Mr. Tam Yat Ming, Andrew
Director

Mr. Yeung Wun Tang, Andy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company						
	Share capital HK$'000	**Share premium** (Note 24(i)) HK$'000	**Merger reserve** (Note 24(ii)) HK$'000	**Exchange reserve** (Note 24(iii)) HK$'000	**Statutory surplus reserve** (Note 24(iv)) HK$'000	**Retained profits** (Note 24(v)) HK$'000	**Total** HK$'000
As at 1 April 2016	—	—	8	—[1]	—	14,445	14,453
Profit for the year	—	—	—	—	—	16,427	16,427
Transfer to Statutory surplus reserve	—	—	—	—	250	(250)	—
Exchange differences on translating foreign operations	—	—	—	(85)	—	—	(85)
Total comprehensive income for the year	—	—	—	(85)	250	16,177	16,342
Issue of shares under group reorganisation (Note 23(i))	—[1]	—	—	—	—	—	—[1]
Dividend (Note 13)	—	—	—	—	—	(20,000)	(20,000)
As at 31 March 2017	—[1]	—	8	(85)	250	10,622	10,795
Loss for the year	—	—	—	—	—	(3,525)	(3,525)
Transfer to Statutory surplus reserve	—	—	—	—	1,074	(1,074)	—
Exchange differences on translating foreign operations	—	—	—	803	—	—	803
Total comprehensive income for the year	—	—	—	803	1,074	(4,599)	(2,722)
Issue of shares under group reorganisation (Note 23(ii))	—[1]	—	—	—	—	—	—[1]
Capitalisation issue of shares (Note 23(iv))	750	(750)	—	—	—	—	—
Issue of shares by way of public offer and placing (Note 23(v))	250	62,250	—	—	—	—	62,500
Share issuance expenses	—	(10,554)	—	—	—	—	(10,554)
As at 31 March 2018	1,000	50,946	8	718	1,324	6,023	60,019

[1] Represents amount less than HK$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before income tax expense		225	20,855
Adjustments for:			
Depreciation of property, plant and equipment	9	426	300
Interest income	7	(81)	(1)
Unrealised exchange loss/(gain), net		82	(180)
Gain on disposal of property, plant and equipment	7	—	(1,050)
Finance costs	8	147	—
Provision of impairment on trade receivables, net	9	725	133
Reversal of impairment on trade receivables previously recognised	9	(66)	—
Operating profit before working capital changes		1,458	20,057
Decrease/(increase) in trade and other receivables		1,366	(6,189)
Decrease/(increase) in inventories		21	(573)
(Decrease)/increase in trade and other payables		(3,540)	7,951
Increase/(decrease) in deferred income		199	(180)
Decrease in amounts due to customers for contract work		—	(605)
Cash (used in)/generated from operations		(496)	20,461
Income tax paid		(7,937)	(1,077)
Net cash (used in)/generated from operating activities		(8,433)	19,384
Cash flows from investing activities			
Purchases of property, plant and equipment	15	(593)	(55)
Proceeds from sale of property, plant and equipment		—	1,050
Interest received	7	81	1
Net cash (used in)/generated from investing activities		(512)	996
Cash flows from financing activities			
Proceeds from issue of shares		62,500	—
Share issuance expenses		(10,554)	—
Decrease in amounts due to directors		—	(4,500)
Proceeds from bank borrowing		1,920	—
Repayment of bank borrowing		(1,920)	—
Interest paid	8	(147)	—
Dividend paid	13	(20,000)	—
Net cash generated from/(used in) financing activities	29	31,799	(4,500)
Net increase in cash and cash equivalents		22,854	15,880
Effect of exchange rate changes on cash and cash equivalents		629	(63)
Cash and cash equivalents at beginning of year		31,755	15,938
Cash and cash equivalents at end of year	19	55,238	31,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 February 2017, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Since 13 October 2017, the principal place of business has been changed from Unit 1201, Block C, Seaview Estate, No.8 Watson Road, Hong Kong to Room 1, 18/F, 148 Electric Road, North Point, Hong Kong.

The Company has listed its shares on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 25 January 2018.

The Company, an investment holding company, and its subsidiaries (together referred to the "**Group**") are principally engaged in the sale of LED lighting fixtures and visual-audio system, provision of integrated LED lighting solution services, project and consultancy and LED lighting system maintenance services (the "**Listing Business**").

In the opinion of the directors of the Company, the Company's immediate and ultimate holding company is The Garage Investment Limited, a company incorporated in British Virgin Islands (the "**BVI**").

The following list contains the particulars of all subsidiaries of the Group:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and a principal place of business
		Direct	Indirect		
Pangaea Holdings Limited ("**Pangaea**")	The BVI, 14 May 2014, limited liability company	100%	–	US$1,000 divided into 1,000 shares of US$1 each	Investment holding, Hong Kong
MISG Investment Limited ("**MISG Investment**")	The BVI, 16 February 2017, limited liability company	100%	–	US$1 divided into 1 shares of US$ 1 each	Investment holding, Hong Kong
MIS Technology Consultants Limited ("**MIS Technology Consultants**")	Hong Kong, 29 April 1998, limited liability company	100%	–	Ordinary shares of HK$100	Provision of management services to group companies, Hong Kong
MIS Technology Project Limited ("**MIS Technology Project**")	Hong Kong, 3 September 1999, limited liability company	–	100%	Ordinary shares of HK$100	Sale of visual-audio system and provision of system maintenance service, Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

1. GENERAL INFORMATION *(Continued)*

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid ordinary share capital or registered capital	Principal activities and a principal place of business
IMS 512 Limited ("**IMS 512**")	Hong Kong, 2 April 2003, limited liability company	–	100%	Ordinary shares of HK$1,000	Sale of lighting fixtures, provision of integrated LED lighting solution services, project consultancy and LED lighting system maintenance services, Hong Kong
IMS Contracting Limited ("**IMS Contracting**")	Hong Kong, 30 May 2014, limited liability company	–	100%	Ordinary shares of HK$10,000	Dormant, Hong Kong
Bluelite Concept Limited ("**Bluelite Concept**")	Hong Kong, 15 December 2009, limited liability company	–	100%	Ordinary shares of HK$1,000,000	Sale of LED lighting fixtures and provision of integrated LED lighting solution services, Hong Kong
Bluelite Illumination Limited ("**Bluelite Illumination**")	Hong Kong, 30 May 2014, limited liability company	–	100%	Ordinary shares of HK$10,000	Sale of lighting fixtures, Hong Kong
CT 2015 Limited ("**CT 2015**")	Hong Kong, 20 April 2015, limited liability company	–	100%	Ordinary shares of HK$10,000	Investment holding, Hong Kong
Shenzhen CH Alliance Trading Co. Ltd., 深圳創恆聯盟貿易有限公司 ("**Shenzhen Chuangheng**")	The People's Republic of China (the "**PRC**") 16 September 2015, limited liability company	–	100%	HK$500,000 divided into 500,000 shares of HK$1 each	Sale of LED lighting fixtures and related services, the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flow, note 29.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously considered for recognition of deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the Group does not have interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standard[1]
Amendments to HKAS 40	Transfers of Investment property[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contracts[1]
HK (IFRIC) — Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Lease[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HK (IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

The Group is in the process of making an assessment of the potential impacts of these new and revised HKFRSs on the financial statements of the Group in the initial application and the expected impacts on the Group's financial performance and position are set out below:

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets.

Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company consider that the adoption of HKFRS 9 in future will not have a significant impact on the Group's financial performance and position, but in general the new impairment requirements will result in earlier recognition of credit losses of the Group's trade and other receivables. The expected credit loss model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers and other debtors is low. Hence, the directors of the Company anticipate that application of the new impairment requirements under HKFRS 9 would not have material impact on the Group's future financial statements. The above assessments were made based on currently available information and may be subject to changes arising from further reasonable and supportable information being subsequently made available to the Group when the Group adopts HKFRS 9 on the effective date of 1 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group has performed a review of the current contractual arrangements with its customers, and the directors of the Company do not anticipate that the adoption of HKFRS 15 will have a significant impact on the Group's future financial performance and position, but more extensive disclosures on the Group's revenue transactions are required, except for the accounting for construction project in progress.

Under HKFRS 15, accounting for construction project in progress under input methods means that there may not be a direct relationship between the Group's costs incurred and the transfer of control of goods or services to its customers, therefore an adjustment to the measure of progress may be required. As a result, the directors consider that the adoption of input method under HKFRS 15 could lead to earlier or later recognition of both revenue and costs incurred for construction project in progress. However, the assessment is subject to changes from the ongoing analysis of the Group's contracts that are not completed as at the effective date of HKFRS 15 on 1 April 2018.

Amendments HKFRS 15 — Revenue from Contracts with customers (Clarification to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16 Lease

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 22 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and office equipment as at 31 March 2018 amounted to approximately HK$3,407,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated cash flow statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HK (IFRIC) — Interpretation 22 -Foreign Currency Transactions and Advance Consideration

The interpretation specifies that the date of a transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of it) when the related consideration was paid or received in advance is the date the advance consideration was initially recognised.

In other words, on initial recognition of the related income, expense or asset, the consideration paid or received in advance should not be re-measured for changes in exchange rates occurring between the date of initial recognition of the advance consideration and the date of recognition of the transaction to which that consideration relates.

The interpretation will not have material impact on the financial performance or position of the Group.

HK (IFRIC) — Interpretation 23 — Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 Income Taxes when there is uncertainty over income tax treatments, addressing four specific issues:

— Whether an entity considers uncertain tax treatments separately;
— The assumptions an entity should make about the examination of tax treatments by taxation authorities;
— How an entity determines taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates; and
— How an entity considers changes in facts and circumstances

The interpretation will not have material impact on the financial performance or position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION

(a) Reorganisation

In preparation for the listing of shares of the Company on the GEM of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company underwent the group reorganisation (the "**Reorganisation**") which completed on 23 May 2017 and involved the following steps:

Step 1 Incorporation of the Company and investment holding companies in the BVI

i. On 14 February 2017, Eight Dimensions Investment Limited ("**Eight Dimensions**") was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US$1.00 each. One share in Eight Dimensions was issued and allotted to Mr. Yeung Wun Tang ("**Mr. Andy Yeung**") on the same day at par value and Eight Dimensions has been wholly owned by Mr. Andy Yeung since then.

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

iii. On 15 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 380,000,000 Shares. Upon its incorporation, 1 Share was allotted and issued to the initial subscriber, which was transferred to Garage Investment on the same day, at par value. On the same day, 54 Shares were issued and allotted to Garage Investment and 45 Shares were issued and allotted to Eight Dimensions. Upon completion of the said transfer and issue and allotment, the Company was held as to 45% by Eight Dimensions and 55% by Garage Investment.

iv. On 16 February 2017, MISG Investment was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of US$1.00 each. One share in MISG Investment was issued and allotted to the Company on the same day at par value and MISG Investment has been wholly owned by the Company since then.

Step 2 Transfer of interest in MIS Technology Project to MISG Investment

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

Step 3 Transfer of interest in MIS Technology Consultants to the Company

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION *(Continued)*

(a) Reorganisation *(Continued)*

Step 4 Transfer of interest in Pangaea to the Company

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

(b) Basis of presentation

Prior to the incorporation of the Company and the completion of the Reorganisation as described above, the Listing Business was carried on by Pangaea and its subsidiaries (hereinafter collectively referred to as the "**Operating Companies**").

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company and MISG Investment have not been involved in any other business prior to the Reorganisation. The share transfers or swap have no substance and do not form a business combination. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business and the consolidated financial statements have been prepared and presented as a continuation of the consolidated financial statements of the companies now comprising the Group, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business under the consolidated financial statements of the companies now comprising the Group for all periods presented.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 March 2018 and 2017 have been prepared using the historical financial information of the companies now comprising the Group as if the group structure under the Reorganisation had been in existence throughout those years. The consolidated statement of financial position of the Group as at 31 March 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the group structure under the Reorganisation had been in existence as at that date. All significant intra-group transactions and balances amongst the companies now comprising the Group have been eliminated on combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION *(Continued)*

(c) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institue of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange ("**GEM Listing Rules**").

(d) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(e) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Leasehold improvements	Over the lease terms
Office equipment	20%
Motor vehicles	20-25%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(d) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

(i) Financial assets

The Group's financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary assets. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred "**loss event**") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined to be uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

Financial liabilities include trade and other payables. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Financial instruments *(Continued)*

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The total rentals payable under the operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Employee benefits

(i) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary operating in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme.

(ii) Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise site labour costs (including site supervision); costs of subcontracting; costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into presentation currency of the Group (i.e Hong Kong dollars) at the average exchanges rates for the year, unless exchange rates fluctuate significantly during the period. In which case, the rates approximate to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interest as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income accumulated in equity as foreign exchange reserve.

(i) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Income from integrated LED lighting solution projects is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the associated contract costs of the contracting work can be measured reliably. The stage of completion of a contract is established by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs (Note 4(g)).

(ii) Consultancy service income and maintenance service income is recognised upon services rendered;

(iii) Sale of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer; and

(iv) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provision for warranty costs is made on an accrual basis by reference to the directors' best estimate of the expenditure required to settle the obligations taking account of the Group's recent claim history, and is charged to the income statement in the period in which the related sales are made. Subsequent expenditure on the settlement of such obligations is charged against the provision made, except where the expenditure exceeds the balance of the provision, in which case, it is charged to the income statement as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of non-financial assets

At the end of reporting period, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(m) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bring the inventories to their present location and conditions. Cost is calculated using the first in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(p) Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statement of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimates and assumptions *(Continued)*

(i) Construction contract revenue recognition

Recognised amount of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Impairment of trade and other receivables

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 4(d). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial conditions of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(iii) Income tax and deferred taxation

Significant judgement is required in determining whether or not the Group is subject to income taxes in the jurisdictions it operates. Transactions and calculations may exist for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has recognised income tax and deferred liabilities at the end of the reporting period based on its best estimate. Where the final income tax liabilities as determined by the tax authorities are different from the estimate, such differences in income taxes or deferred tax, if any, will need to be recognised in the period in which the determination is made.

(iv) Warranty provisions

As disclose in Note 20(c), the Group makes provision for warranties for its Integrated LED lighting solution services taking into account the Group's recent claim history. As the Group is continually improving product quality, it is possible that the recent claim history is not indicative of the extent of future claims the Group will need to settle in respect of past sales. Any increase or decrease in provision would affect the profit or loss of the Group in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

6. SEGMENT INFORMATION

Operating segments

During the year, the Group was principally engaged in sale of LED lighting fixtures and visual-audio system, provision of integrated LED lighting solution services, project consultancy and LED lighting system maintenance services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole. The Group's resources are integrated and as a result, no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers and non-current assets other than financial instruments ("**Specified non-current assets**").

The Group comprises the following major geographical segments:

	Revenue from external customers by customers' location	
	2018 HK$'000	2017 HK$'000
Hong Kong (place of domicile)	**11,383**	33,280
Asia (excluding Hong Kong and the PRC)	**23,436**	22,953
The PRC	**27,827**	8,799
Europe	**505**	1,584
Others	**2,795**	827
	54,563	34,163
	65,946	67,443

	Specified non-current assets by assets' location	
	2018 HK$'000	2017 HK$'000
Hong Kong (place of domicile)	**735**	568
The PRC	**17**	15
	752	583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue attributed from customer that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2018 HK$'000	2017 HK$'000
Customer A	N/A	7,753

No customer accounted for 10% or more of the Group's total revenue for the year ended 31 March 2018 (2017: 1 customer).

7. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

Revenue includes the net invoiced value of goods sold, project consultancy and maintenance services rendered and contracts on LED lighting solution projects earned by the Group. The amounts of each significant category of revenue recognised during the year are as follows:

	2018 HK$'000	2017 HK$'000
Revenue		
Sale of LED lighting fixtures	59,686	51,037
Integrated LED lighting solution services	2,013	10,583
LED lighting system consultation and maintenance services	2,555	1,388
Sale of visual-audio systems	1,692	4,435
	65,946	67,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

7. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES *(Continued)*

An analysis of the Group's other income and other gains and losses recognised during the year are as follows:

	2018 HK$'000	2017 HK$'000
Other income		
Bank interest income	81	1
Sundry income	16	15
Sale of components	—	342
	97	358
Other gains and losses		
Reversal of impairment on trade receivables	66	—
Exchange (loss)/gain, net	(82)	398
Gain on disposal of property, plant and equipment	—	1,050
	(16)	1,448

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowing	147	—

9. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	2018 HK$'000	2017 HK$'000
Costs of inventories recognised as expenses	27,331	22,923
Auditors' remuneration	854	300
Depreciation (Note 15)	426	300
Operating lease rentals in respect of:		
— Land and buildings	2,173	1,692
— Plant and equipment	48	32
Provision of impairment of trade receivables (Note 18)	725	133
Reversal of impairment of trade receivables previously recognised (Note 18)	(66)	—
Employee benefit expenses (Note 10)	16,733	14,985
Listing expenses	13,105	4,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2018 HK$'000	2017 HK$'000
Fees, wages and salaries	15,452	14,330
Post-employment benefits — payment to defined contribution retirement plan	564	432
Other benefits	717	223
	16,733	14,985

Employee benefit expenses included amounts of HK$1,018,000 (2017: HK$1,018,000) charged to profit or loss as research and development expenditure for the year ended 31 March 2018.

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

Details of the directors' remuneration paid or payable for the year are as follows:

	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Contribution to defined contribution retirement plan HK$'000	Total HK$'000
Year ended 31 March 2018				
Executive directors:				
Mr. Andrew Tam	—	1,770	18	1,788
Mr. Andy Yeung	—	1,770	18	1,788
	—	3,540	36	3,576
Independent non-executive directors				
Mr. Chu Yin Kam*	50	—	4	54
Mr. Ha Yiu Wing*	50	—	4	54
Dr. Wilson Lee*	50	—	4	54
	150	—	12	162
	150	3,540	48	3,738
Year ended 31 March 2017				
Executive directors:				
Mr. Andrew Tam	—	1,659	18	1,677
Mr. Andy Yeung	—	1,880	18	1,898
	—	3,539	36	3,575

* Appointed as the independent non-executive directors of the Company on 22 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(i) Directors' remuneration *(Continued)*

During the year, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2017: Nil).

(ii) Five highest paid individuals

The five highest paid individuals of the Group for the year ended 31 March 2018 included 2 directors (2017: 2) whose emoluments are set out in the analysis above. The remuneration of the remaining three (2017: three) non director highest paid individuals is as follows:

	2018 **HK$'000**	2017 HK$'000
Basic salaries, bonuses and other allowances	**2,497**	2,498
Post-employment benefits — Contribution to defined contribution retirement plan	**44**	51
	2,541	2,549

Their remuneration fell within the following bands:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1

During the year, none of the non director highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the non director highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2017: Nil).

(iii) Senior management's emoluments excluding the directors

The emoluments paid or payable to senior management (excluding the directors) are within the following bands:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**2**	2

The emoluments of 1 (2017: Nil) member of senior management is included in the remuneration of the three non director highest paid individuals set out in Note 11 (ii) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2018 HK$'000	2017 HK$'000
Current tax — Hong Kong profits tax		
— current year	401	3,341
— under/(over)-provision in respect of prior years	138	(11)
	539	3,330
Current tax — overseas profits tax		
— current year	3,246	1,106
	3,246	1,106
Deferred tax credit (Note 16)	(35)	(8)
Income tax expense	3,750	4,428

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits during the year.

The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2017: 25%) during the year.

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2018 HK$'000	2017 HK$'000
Profit before income tax expense	225	20,855
Tax calculated at the applicable statutory tax rate of 16.5%	37	3,441
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	1,134	376
Tax effect of income not subject to tax	—	(173)
Tax effect of expense not deductible for tax purpose	2,270	843
Tax effect of tax loss not recognised	280	24
Tax concession	(74)	(80)
Under/(Over)-provision in respect of prior years	138	(11)
Others	(35)	8
Income tax expense	3,750	4,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

13. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

On 26 January 2017, an interim dividend of HK$20,000 per ordinary share and in aggregation of HK$20,000,000 was declared by Pangaea to its then shareholders. The dividend was fully settled by cash during the year ended 31 March 2018.

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share	**(3,525)**	16,427

	Number of shares	
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share (Note)	**795,205,480**	750,000,000

Note:

Weighted average of 750,000,000 ordinary shares for the year ended 31 March 2017, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 23 (iv), are deemed to have been issued throughout the year ended 31 March 2017 and up to 24 January 2018, immediately before the completion of the public offer and placing of shares during the year ended 31 March 2018.

Weighted average of 795,205,480 ordinary shares for the year ended 31 March 2018 is calculated based on the weighted average of approximately 45,205,480 ordinary shares issued upon the share offer during the year ended 31 March 2018, in addition to the aforementioned 750,000,000 ordinary shares for the year ended 31 March 2017.

Diluted (loss)/earnings per share is same as basic (loss)/earnings per share as there was no potential dilutive ordinary shares for the years ended 31 March 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 April 2016	1,374	399	3,281	5,054
Additions	—	55	—	55
Disposals	—	—	(2,067)	(2,067)
Exchange realignment	—	—[1]	—	—[1]
At 31 March 2017	1,374	454	1,214	3,042
Additions	357	236	—	593
Exchange realignment	—	3	—	3
At 31 March 2018	1,731	693	1,214	3,638
Accumulated depreciation				
At 1 April 2016	1,374	277	2,575	4,226
Provided for the year	—	61	239	300
Eliminated on disposal	—	—	(2,067)	(2,067)
Exchange realignment	—	—[1]	—	—[1]
At 31 March 2017	1,374	338	747	2,459
Provided for the year	97	85	244	426
Exchange realignment	—	1	—	1
At 31 March 2018	1,471	424	991	2,886
Net book value				
At 31 March 2018	260	269	223	752
At 31 March 2017	—	116	467	583

[1] Represents amount less than HK$1,000.

16. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the year are as follows:

	Accelerated depreciation allowances HK$'000
At 1 April 2016	(43)
Credited to profit or loss for the year (Note 12)	8
At 31 March 2017	(35)
Credited to profit or loss for the year (Note 12)	35
At 31 March 2018	—

Deferred tax assets have not been recognised for the following:

	2018 HK$'000	2017 HK$'000
Deductible temporary differences	**122**	132
Unused tax losses	**1,841**	147
	1,963	279

Certain subsidiaries had estimated tax losses arising in Hong Kong totaling approximately HK$1,841,000 as at 31 March 2018 (2017: HK$147,000) which can be carried forward indefinitely for offsetting against taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The deductible temporary differences arising in Hong Kong can be carried forward indefinitely. No deferred tax asset has been recognised in relation to deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

No deferred tax liability has been recorded on the temporary differences of HK$12,089,000 (2017: HK$3,318,000) relating to the undistributed earnings of the PRC subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

17. INVENTORIES

	2018 HK$'000	2017 HK$'000
Finished goods	**552**	573

18. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables (note (a))	**14,607**	15,499
Other receivables (note (b))	**109**	64
Prepayments and deposits (note (b))	**1,660**	2,102
Total	**16,376**	17,665
Less: Non-current portion		
Deposits paid under operating leases (note (b))	**(640)**	—
Current portion	**15,736**	17,665

(a)

	2018 HK$'000	2017 HK$'000
Trade receivables	**18,460**	18,674
Less: provision for impairment on trade receivables	**(3,853)**	(3,175)
	14,607	15,499

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

Customers are generally granted a credit period between 0 and 30 days. Applications for progress payments on projects are made on a regular basis.

18. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

The following is an analysis of trade receivables by age based on invoice date:

	2018 HK$'000	2017 HK$'000
Less than 1 month	6,669	11,154
1 to 3 months	5,165	1,905
3 months to 6 months	770	253
More than 6 months but less than one year	1,047	1,044
More than one year	956	1,143
	14,607	15,499

Movements in provision for impairment of trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of the year	3,175	3,042
Impairment losses recognised	725	133
Reversal of impairment loss previously recognized	(66)	—
Exchange realignment	19	—
At the end of the year	3,853	3,175

At the end of each reporting period, the Group reviews receivables for evidence of impairment on both an individual and collective basis. The above impairment of trade receivables of approximately HK$3,853,000, (2017: HK$3,175,000) was made for individually impaired trade receivables with an aggregate carrying amount of approximately HK$6,501,000 (2017: HK$4,178,000) as at 31 March 2018. These individually impaired trade receivables include customers who have ceased business relationship with the Group and could no longer be contacted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

18. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2018 HK$'000	2017 HK$'000
Not past due	**1,646**	—
Less than 1 month past due	**5,581**	10,352
1 to 3 months past due	**3,759**	1,812
More than 3 months past due but less than 12 months past due	**973**	1,205
More than one year past due	**—**	1,127
	11,959	14,496

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

(b) The above balances of other receivables, prepayments and deposits as at 31 March 2018 and 31 March 2017 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and cash on hand held by the Group. Bank balances earn interests at floating rates based on daily bank deposit rates and are deposited with creditworthy banks with no recent history of default.

Cash and cash equivalents included an amount of approximately HK$11,080,000, (2017: HK$2,111,000) denominated in Renminbi and deposited in PRC for the year ended 31 March 2018. Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currency and remittance of Renminbi out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

20. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables (note (a))	4,718	11,424
Other payables:		
Receipts in advance (note (b))	3,060	1,204
Provision of warranties (note (c))	275	451
Other payables and accruals (note (d))	5,552	3,574
Total	13,605	16,653
Less: Non-current portion		
Provision of warranties (note (c))	(164)	(215)
Total current portion	13,441	16,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

20. TRADE AND OTHER PAYABLES *(Continued)*

(a) An ageing analysis of trade payables based on invoice date is as follows:

	2018 HK$'000	2017 HK$'000
Current or less than 1 month	**3,127**	5,171
1 to 3 months	**1,064**	593
4 to 6 months	**—**	967
7 to 12 months	**—**	1,245
More than 1 year	**527**	3,448
	4,718	11,424

The Group's trade payables are non-interest bearing. The credit period granted by suppliers is generally between 0 and 30 days.

(b) Receipts in advance represent trade deposits received from the customers in connection with the sales. Receipts in advance are expected to be recognised as revenue of the Group within one year from the reporting date.

(c) Provision for warranties

Provision for warranties for integrated LED lighting solution services provided are as follows:

	2018 HK$'000
At 1 April 2017	451
Provision for the year	38
Less: Reversal of unused amount	(183)
Amount credited to profit or loss for the year	(145)
Less: Amount utilised	(31)
At 31 March 2018	275
Categories as:	
Non-current liabilities	164
Current liabilities	111
	275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

20. TRADE AND OTHER PAYABLES *(Continued)*

(d) Other payables and accruals are non-interest bearing and have average payment terms of one to three months.

21. DEFERRED INCOME

The deferred revenue is in respect of the Group's maintenance services income:

	2018 **HK$'000**	2017 HK$'000
Deferred income	**375**	176
Less: Non-current portion	**(144)**	(39)
Current portion	**231**	137

22. LEASES

The Group leased its office premises and office equipment under operating lease arrangements which are negotiated for terms between two and five years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	2018 **HK$'000**	2017 HK$'000
Not later than one year	**2,273**	806
Later than one year and not later than two years	**990**	18
Later than two years and not later than five years	**144**	—
	3,407	824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

23. SHARE CAPITAL

	Notes	Number of ordinary shares	Amount HK$
Authorised:			
Ordinary shares of HK$0.001 each			
At 15 February 2017 (date of incorporation) and 31 March 2017	(i)	380,000,000	380,000
Increase in authorised share capital during the year	(iii)	9,620,000,000	9,620,000
At 31 March 2018		10,000,000,000	10,000,000
Issued and fully paid:			
Ordinary shares of HK$0.001 each			
At 15 February 2017 (date of incorporation) and 31 March 2017	(i)	100	—
Issue of shares upon Reorganisation	(ii)	900	1
Capitalisation issue of shares	(iv)	749,999,000	749,999
Issue of shares by way of public offer and placing	(v)	250,000,000	250,000
At 31 March 2018		1,000,000,000	1,000,000

(i) The Company was incorporated in the Cayman Islands on 15 February 2017 with an authorised share capital of HK$380,000 divided into 380,000,000 ordinary shares of HK$0.001 each. Upon incorporation, 1 ordinary share of HK$0.001 each was allotted and issued to the initial subscriber at HK$0.001, which was transferred to Garage Investment on the same day, at par value. On the same day, 54 ordinary shares were issued and allotted to Garage Investment and 45 ordinary shares were issued and allotted to Eight Dimensions.

(ii) On 23 May 2017, 495 ordinary shares of the Company were issued and allotted to Garage Investment and 405 ordinary shares of the Company were issued and allotted to Eight Dimensions, all credited as fully paid, as consideration for the acquisition of the entire issued share capital of Pangaea. Immediately upon completion of Reorganisation, Pangaea became a wholly-owned subsidiary of the Company.

(iii) Pursuant to a written resolution passed on 22 December 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 380,000,000 shares of HK$0.001 each to HK$10,000,000 divided into 10,000,000,000 shares of HK$0.001 each by the creation of additional 9,620,000,000 shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

23. SHARE CAPITAL *(Continued)*

(iv) Pursuant to a written resolution passed on 22 December 2017, the directors of the Company were authorised to capitalise an amount of HK$749,999 standing to the credit of the share premium account of the Company to pay up in full at par 749,999,000 shares ("**Capitalisation Issue**") for allotment and issue to Garage Investment and Eight Dimensions, each ranking pari passu in all respects with the then existing issued shares, and directors of the Company were authorised to give effect to such Capitalisation Issue.

(v) On 25 January 2018, the Company's shares were listed on the GEM of the Stock Exchange and 250,000,000 new shares of the Company were issued for a cash consideration of HK$0.25 per share.

24. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

The nature and purpose of reserves within equity are as follows:

i) Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

ii) Merger reserve

It represents the difference between the Company's investment costs in subsidiaries and the aggregated share capital of the subsidiaries whose shares were transferred to the Company pursuant to the Reorganisation.

iii) Exchange reserve

It comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

iv) Statutory surplus reserve

In accordance with the relevant regulation in PRC, a subsidiary operating in the PRC is required to transfer 10% of its profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of its respective registered capital. The statutory surplus reserve is non-distributable, and is subject to certain restrictions set out in the relevant regulations in the PRC. This reserve can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above usages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

24. RESERVES *(Continued)*

v) Retained profits

It represents cumulative net profits recognised in the consolidated statements of profit or loss and other comprehensive income.

Movements in the Company's reserves during the year are as follows:

	Share Premium HK$'000	Contributed surplus (Note) HK$'000	Accumulated loss HK$'000	Total HK$'000
As at 15 February 2017 (Date of incorporation)	—	—	—	—
Profit for the period	—	—	—	—
As at 31 March 2017	—	—	—	—
Loss for the year	—	—	(13,799)	(13,799)
Issue of shares upon Reorganisation (Note 23(ii))	—	10,419	—	10,419
Capitalisation issue of shares (Note 23(iv))	(750)	—	—	(750)
Issue of shares by way of public offer and placing (Note 23(v))	62,250	—	—	62,250
Share issuance expenses	(10,554)	—	—	(10,554)
As at 31 March 2018	50,946	10,419	(13,799)	47,566

Note: Contributed surplus of approximately HK$10,419,000 represents the excess of the then carrying amount of the Company's share of equity value of a subsidiary, Pangaea, acquired and the nominal value of the Company's shares issued for such acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 March 2018 HK$'000	As at 31 March 2017 HK$'000
Non-current assets			
Investments in subsidiaries		10,419	—
Current assets			
Amounts due from subsidiaries		13,423	—
Amounts due from shareholders		—	—[1]
Cash and cash equivalents		40,254	—
		53,677	—[1]
Current liabilities			
Other payables		3,264	—
Amounts due to subsidiaries		12,266	—
		15,530	—
Net-current assets		38,147	—
Net assets		48,566	—
Equity			
Share capital	23	1,000	—[1]
Reserves	24	47,566	—
Total equity		48,566	—[1]

[1] Represents amount less than HK$1,000.

On behalf of the board of directors

Mr. Tam Yat Ming, Andrew
Director

Mr. Yeung Wun Tang, Andy
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

26. RELATED PARTY TRANSACTIONS

During the year, the Group does not have any significant transactions with its related parties or transactions which constituted connected transactions as defined in Chapter 20 of the GEM Listing Rules.

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the year are set out in Note 11 to the consolidated financial statements.

27. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, liquidity risk, interest rate risk and currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group does not hold or issue derivative financial instruments either for hedging or trading purposes.

(a) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and primarily in connection with trade receivables and other receivables and deposits with banks.

The credit risk of the Group's trade and receivables are concentrated, as 0.5% (2017: 23.0%) of such receivables were derived from the largest customer and 24.3% (2017: 56.1%) were derived from five largest customers as at 31 March 2018. Management considered the credit risk is limited since the Group trades only with customers with an appropriate credit history and good reputation. Management regularly monitored the financial background and creditability of the Group's customers.

Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the year and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies. Hence management does not expect any losses to arise from non-performance of these banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

27. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserve of cash and adequate committed lines of funding from major banks, if necessary, to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the year and are considered to have been effective in managing liquidity risk.

The total contractual undiscounted cash flows of the Group's non-derivative financial liabilities approximate their carrying amounts as their remaining contractual maturities are within one year and the impact of discounting is insignificant as set out as below:

	2018 **HK$'000**	2017 HK$'000
Trade and other payables	**10,270**	14,998
Dividend payable	**—**	20,000
	10,270	34,998

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should a need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances. The analysis is prepared assuming that the amount of assets outstanding at the end of each reporting period were outstanding for the whole year. 25 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances.

If interest rates on bank balances had been 25 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit or loss for the years ended 31 March 2018 and 2017 is as follows:

	2018 **HK$'000**	2017 HK$'000
Increase/(decrease) in profit for the year		
— as a result of increase in interest rate	**123**	5
— as a result of decrease in interest rate	**(123)**	(5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

27. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk

The Group currently does not have a hedging policy to mitigate its exposure to foreign exchange risk. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the group entity concerned.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The Group is mainly exposed to the fluctuation of United States dollars ("**US$**") and Renminbi ("**RMB**"). For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of each reporting period as follows:

	US$ HK$'000	RMB HK$'000
As at 31 March 2018		
Trade and other payables	**(2,478)**	**(279)**
	(2,478)	**(279)**
As at 31 March 2017		
Trade and other receivables	100	—
Trade and other payables	(97)	(4,243)
	3	(4,243)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

27. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit or loss after tax (and retained profits) and other components of consolidated equity in response to reasonably changes in foreign exchange rates to which the Group has significant exposure at the end of each of the reporting period.

	Increase in foreign exchange rates %	Increase in loss after tax and decrease in retained profits HK$'000
As at 31 March 2018		
RMB	**5**	**12**

	Increase in foreign exchange rates %	Decrease in profit after tax and decrease in retained profits HK$'000
As at 31 March 2017		
RMB	6	213

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against HK$. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities profit or loss after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of each reporting period for presentation purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

27. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debts. No changes in the objectives, policies or processes were made during the year.

The capital structure of the Group consists of equity attributable to equity holders of the Company only, comprising share capital and reserves.

28. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2018 HK$'000	2017 HK$'000
Loans and receivables		
Trade and other receivables	**14,760**	16,013
Cash and cash equivalents	**55,238**	31,755
	69,998	47,768
Financial liabilities at amortised cost		
Trade and other payables	**10,270**	14,998
Dividend payable	**—**	20,000
	10,270	34,998

Due to their short term nature, the carrying values of trade and other receivables, cash and cash equivalents, trade and other payables and dividend payable approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

29. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank borrowing HK$'000	Interest payable HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 April 2017	—	—	20,000	20,000
Cash flows				
Proceeds from bank borrowing	1,920	—	—	1,920
Repayments of bank borrowing	(1,920)	(147)	—	(2,067)
Dividend paid	—	—	(20,000)	(20,000)
Non-cash changes				
Interest on bank borrowing incurred	—	147	—	147
At 31 March 2018	—	—	—	—

30. SHARE OPTION SCHEME

The Company have conditionally adopted a share option scheme (the "**Scheme**") by the written resolutions of the Shareholders passed on 22 December 2017.

A summary of the Scheme is set out as below:

(i) The Scheme became effective for a period of 10 years commencing from the date on which Scheme becomes unconditional.

(ii) Under the Scheme, a subscription price shall be a price solely determined by the board of directors and notified to a participant and shall be not be less than the higher of: (i) the closing price of our shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option, which must be a business day; (ii) the average closing prices of our shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

(iii) An offer for the grant of options must be accepted within any prescribed acceptance date on which such offer was made.

(iv) The maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of our Company (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our shares in issue as at the listing date, or the date of approval of the renew limit by the Shareholders in general meeting.

No options have been granted since the adoption of the Scheme.

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 June 2018.

FINANCIAL SUMMARY

A summary of the results, and of the assets and liabilities of the Group for the last three financial years, as extracted from the published audited consolidated financial statements or the Prospectus of the Company is set out below:

RESULTS

	For the year ended 31 March		
	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**65,946**	67,443	42,126
Direct costs	**(31,588)**	(28,560)	(18,935)
Gross profit	**34,358**	38,883	23,191
Other income	**97**	358	75
Other gains and losses, net	**(16)**	1,448	195
Administrative expenses	**(20,962)**	(15,711)	(15,720)
Finance costs	**(147)**	—	—
Listing expenses	**(13,105)**	(4,123)	—
Profit before income tax expense	**225**	20,855	7,741
Income tax expense	**(3,750)**	(4,428)	(1,267)
(Loss)/profit for the year and attributable to owners of the Company	**(3,525)**	16,427	6,474
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	**803**	(85)	—
Other comprehensive income for the year and attributable to owners of the Company, net of tax	**803**	(85)	—
Total comprehensive income for the year and attributable to owners of the Company	**(2,722)**	16,342	6,474

ASSETS AND LIABILITIES

	As at 31 March		
	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**76,031**	50,875	29,596
Total liabilities	**(16,012)**	(40,080)	(15,143)
Total equity	**60,019**	10,795	14,453