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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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

*This announcement, for which the directors (the "**Directors**") of IMS Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**We**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019, together with the comparative audited figures for the corresponding period of last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**75,082**	65,946
Direct costs		**(36,975)**	(31,588)
Gross profit		**38,107**	34,358
Other income		**47**	97
Other gains and losses, net		**68**	(16)
Administrative expenses		**(24,341)**	(20,962)
Expected credit loss on trade receivable		**(1,184)**	—
Finance costs		**—**	(147)
Listing expenses		**—**	(13,105)
Profit before income tax expense	6	**12,697**	225
Income tax expense	8	**(6,111)**	(3,750)
Profit/(loss) for the year and attributable to owners of the Company		**6,586**	(3,525)
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(746)**	803
Other comprehensive income for the year and attributable to owners of the Company, net of tax		**(746)**	803
Total comprehensive income for the year and attributable to owners of the Company		**5,840**	(2,722)
Earnings/(loss) per share			
Basic and diluted	10	**HK cents 0.66**	HK cents (0.44)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**414**	752
Intangible asset		**238**	—
Deposit paid under operating leases	*11*	**32**	640
		684	1,392
Current assets			
Inventories		**1,065**	552
Trade and other receivables	*11*	**18,095**	15,736
Tax recoverable		**309**	3,113
Cash and cash equivalents		**59,150**	55,238
		78,619	74,639
Total assets		**79,303**	76,031
Current liabilities			
Trade and other payables	*12*	**9,493**	13,441
Contract liabilities		**3,296**	—
Deferred income		**—**	231
Current tax liabilities		**2,542**	2,032
		15,331	15,704
Net current assets		**63,288**	58,935
Total assets less current liabilities		**63,972**	60,327

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Other payables	*12*	**114**	164
Contract liabilities		**172**	—
Deferred income		**—**	144
Deferred tax liabilities		**—**	—
		286	308
Total liabilities		**15,617**	16,012
NET ASSETS		**63,686**	60,019
Equity			
Share capital	*13*	**1,000**	1,000
Reserves		**62,686**	59,019
TOTAL EQUITY		**63,686**	60,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

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 1801, 18/F, 148 Electric Road, Fortress Hill, Hong Kong.

The Company has listed its shares on 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 "**Business**").

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

A. HKFRS 9 — Financial Instruments ("HKFRS 9")

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for the Group's annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) transition. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the adjustments to the amount recognised in the consolidated financial statements.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

A. HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it supersedes HKAS 39's categories of held-to-maturity investment, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), the Group shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost only if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

A. HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if the equity investment is not held for trading.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

There is no change in the classification and measurement of the Group's financial liabilities and the liabilities are continued to be measured at amortised cost at the date of transition.

The accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

A. HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39	Carrying amount as at 1 April 2018 under HKFRS 9
			HK$	*HK$*
Trade and other receivables	Loans and receivables *(Note 2(a)A(ii))*	Financial assets at amortised cost	15,736	13,563
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	55,238	55,238

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECL for trade and other receivables, financial assets at amortised cost, contract assets and debt investments at FVTPL earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

The Group applies the new ECL model to the following items:

— Financial assets at amortised cost; and
— Contract assets.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

A. HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs for trade receivables. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets measured at amortised cost, the ECLs are based on the 12-month ECL. The 12-month ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

A. HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model

The following table reconciles the prior period's closing impairment allowance measured in accordance with the HKAS 39 incurred loss model to the new impairment allowance measured in accordance with the HKFRS 9 ECL model at 1 April 2018:

	Impairment allowance under HKAS 39	Additional ECL recognised as at 1 April 2018	Impairment allowance under HKFRS 9
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2018	3,853	2,173	6,026

The adjustment on the opening retained earnings as at 1 April 2018 amounted to HK$2,173,000.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information may not be comparable as those was prepared under HKAS 39.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

B. HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The directors consider that the application of HKFRS 15 may have a material impact on the timing and amounts of revenue the Group will recognise on it contract with customers. However, there is no material impact to the current year consolidated financial statements.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. Based on the assessment of the Group, no adjustments to the opening balance of equity at 1 April 2018 have been made on the initial application of HKFRS 15. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's provision of various goods and services are set out below:

Note	Product/ service	Nature of provision of goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018
(i)	Sale of LED lighting products and visual-audio systems	Revenue from sale of LED lighting products and visual-audio systems is recognised at point in time when the goods are delivered to, and have been accepted by, customers. Invoices for these service income are issued on delivery of goods.	HKFRS 15 did not result in significant impact on the Group's accounting policies.

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

(a) **Adoption of new/ revised HKFRSs — effective 1 April 2018** *(Continued)*

B. ***HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15")*** *(Continued)*

Note	Product/ service	Nature of provision of goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018
(ii)	Income from integrated LED lighting solution	Revenue from sale of integrated LED lighting solution is recognised over time based on input method. The Company satisfies its only performance obligation by completing the installation of LED projects to customers.	HKFRS 15 would have a significant impact on the Group's revenue recognition policy. However, there was no incomplete project brought forward from 31 March 2018 or at 31 March 2019. Therefore, there is no accumulative impact to the consolidated financial statements for the years ended 31 March 2018 and 2019 at the point of the initial adoption of HKFRS 15.
(iii)	Consultancy service income and maintenance service income	LED lighting system consultation and maintenance services, which provide services over a length of time. Thus, the customers can obtain the benefit over a length of time and the Group would recognise the revenue over time accordingly. Invoices for consultancy and maintenance services are issued on a periodical basis.	HKFRS 15 did not result in significant impact on the Group's accounting policies.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

B. HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Timing of revenue recognition

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;
— creates and enhances an asset that the customer controls as the Group performs; or
— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

— direct measurements of the value transferred by the Group to the customer; or
— the Group's efforts or inputs to the satisfaction of the performance obligation.

Incremental costs incurred directly attributable to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The adoption does not have a material impact on the recognition of the Group's main revenue streams except for commissions paid to staff for entering new sales contract.

The commission is an incremental cost of obtaining a new contract, and the Group expects to recover the cost of staff commissions through future fees charged to the customer. The Group applied practical expedient for the incremental cost. The Group recognises the incremental costs of obtaining a contract as an expense since the payment incurred is one year or less.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

B. HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Timing of revenue recognition (Continued)

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. Management of the Company considered that HKFRS 15 did not result in significant impact on the Group's accounting policies.

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

Considerations received from customers in advance of HK$3,242,000 previously included in other payables and accruals are now included under contract liabilities.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

B. HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Presentation of contract assets and liabilities (Continued)

The deferred revenue of HK$3,093,000 is in respect of the Group's maintenance services is now included under contract liabilities.

	As at 31 March 2019		
	Without adoption of HKFRS 15	**Reclassifications under HKFRS 15**	**As reported**
	HK$'000	***HK$'000***	***HK$'000***
Consolidated statement of financial position (extract)			
Trade and other payable	**12,735**	**(3,242)**	**9,493**
Deferred income	**226**	**(226)**	**—**
Contract liabilities	**—**	**3,468**	**3,468**
Consolidated statement of cash flows (extract)			
Operating profit before working capital changes:			
Trade and other payable	**(706)**	**(3,242)**	**(3,948)**
Deferred income	**(149)**	**149**	**—**
Contract liabilities	**—**	**3,093**	**3,093**

Transition

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening accumulated profits at 1 April 2018. Therefore, comparative information would not be restated and continues to be reported under HKAS 11 and HKAS 18. As allowed under HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

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

(a) Adoption of new/ revised HKFRSs — effective 1 April 2018 *(Continued)*

C. Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications 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.

D. HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Materials[3]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after 1 January 2020

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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:

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.

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 2019 amounted to approximately HK$2,605,000. A preliminary assessment indicated that these arrangements will meet the definition of lease under HKFRS 16, the Group will 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.

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)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 28

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKFRS 3, Business Combinations

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 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

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

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

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

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 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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

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

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

Amendments to HKAS 1 and HKAS 8

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements

3. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are presented in HK dollar and all values are rounded to the nearest thousand except when otherwise indicated.

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement

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

(c) 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. 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**").

4. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

The Group comprises the following major geographical segments:

	Revenue from external customers by customers' location	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**8,175**	11,383
Asia (excluding Hong Kong and the PRC)	**21,805**	23,436
The PRC	**43,830**	27,827
Europe	**434**	505
Others	**838**	2,795
	66,907	54,563
	75,082	65,946

	Specified non-current assets by assets' location	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**642**	735
The PRC	**10**	17
	652	752

4. **SEGMENT INFORMATION** *(Continued)*

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**16,874**	N/A
Customer B	**8,343**	N/A

Two customers accounted for 10% or more of the Group's total revenue for the year ended 31 March 2019 (2018: no customer).

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

Disaggregation of revenue from contracts with customers

For the year ended 31 March	Integrated LED lighting solution service		Sales of LED lighting and fixtures		Sales of visual-audio systems		LED lighting system consultation and maintenance services		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$000	*HK$000*	***HK$000***	*HK$000*	***HK$000***	*HK$000*	***HK$000***	*HK$000*	***HK$000***	*HK$000*
Primary geographical markets										
— Hong Kong	**3,370**	2,013	**3,061**	6,170	**103**	1,692	**1,641**	1,508	**8,175**	11,383
— Asia (Excluding HK & the PRC)	**—**	—	**20,901**	22,389	**—**	—	**904**	1,047	**21,805**	23,436
— PRC	**—**	—	**43,825**	27,827	**—**	—	**5**	—	**43,830**	27,827
— Europe	**—**	—	**434**	505	**—**	—	**—**	—	**434**	505
— Others	**—**	—	**838**	2,795	**—**	—	**—**	—	**838**	2,795
Total	**3,370**	2,013	**69,059**	59,686	**103**	1,692	**2,550**	2,555	**75,082**	65,946
Timing of revenue recognition										
Under HKFRS 15										
— At a point in time	**—**	—	**69,059**	—	**103**	—	**—**	—	**69,162**	—
— Over time	**3,370**	—	**—**	—	**—**	—	**2,550**	—	**5,920**	—
Under HKAS 18	**—**	2,013	**—**	59,686	**—**	1,692	**—**	2,555	**—**	65,946
	3,370	2,013	**69,059**	59,686	**103**	1,692	**2,550**	2,555	**75,082**	65,946

5. REVENUE

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:

	2019	2018
Time of revenue recognition (within the scope of HKFRS 15)	***HK$'000***	*HK$'000*
Revenue — at a point of time		
Sale of LED lighting fixtures	**69,059**	59,686
Sale of visual-audio systems	**103**	1,692
Revenue — over time		
LED lighting system consultation and maintenance services	**2,550**	2,555
Integrated LED lighting solution services	**3,370**	2,013
	75,082	65,946

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Costs of inventories recognised as expenses	**32,498**	27,331
Auditor's remuneration	**850**	854
Depreciation/amortisation	**455**	426
Operating lease rentals in respect of:		
— Land and buildings	**2,473**	2,173
— Plant and equipment	**60**	48
Expected credit losses on trade receivables *(Note 11(a))*, net	**1,184**	—
Provision of impairment of trade receivables *(Note 11(a))*	**—**	725
Reversal of impairment of trade receivables previously recognised *(Note 11(a))*	**—**	(66)
Listing expenses	**—**	13,105

7. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2019	2018
	HK$'000	*HK$'000*
Fees, wages and salaries	**17,651**	15,452
Post-employment benefits — payment to defined contribution retirement plan	**611**	564
Other benefits	**685**	717
	18,947	16,733

Employee benefit expenses included an amount of HK$1,284,000 (2018: HK$1,018,000) charged to profit or loss as research and development expenditure for the year ended 31 March 2019.

8. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Current tax — Hong Kong profits tax		
— current year	**—**	401
— under provision in respect of prior years	**84**	138
	84	539
Current tax — overseas Enterprise Income Tax		
— current year	**6,027**	3,246
	6,027	3,246
Deferred tax credit	**—**	(35)
Income tax expense	**6,111**	3,750

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits during the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

8. INCOME TAX EXPENSE *(Continued)*

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5% (2018: 16.5%). The profits of corporations in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2018: HK$Nil).

10. EARNINGS/(LOSS) PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings/(Loss)	**6,586**	(3,525)
Earnings/(loss) for the purpose of basic earnings/(loss) per share	**HK cents 0.66**	HK cents (0.44)

	Number of shares	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (Note)	**1,000,000,000**	795,205,480

Note:

Diluted earnings/(loss) per share is same as basic earnings/(loss) per share as there was no potential dilutive ordinary shares for the years ended 31 March 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**16,218**	14,607
Other receivables *(Note (b))*	**111**	109
Prepayments and deposits *(Note (b))*	**1,798**	1,660
Total	**18,127**	16,376
Less: Non-current portion		
Deposits paid under operating leases *(Note (b))*	**(32)**	(640)
Current portion	**18,095**	15,736

(a)

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**23,409**	18,460
Less: Provision for impairment on trade receivables	**—**	(3,853)
Less: Expected credit loss	**(7,191)**	—
	16,218	14,607

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Less than 1 month	**8,536**	6,669
1 to 3 months	**4,515**	5,165
3 months to 6 months	**2,810**	770
More than 6 months but less than one year	**177**	1,047
More than one year	**180**	956
	16,218	14,607

11. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

Movements in loss allowance for impairment of trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of the year	**3,853**	3,175
Initially application of HKFRS 9	**2,173**	—
	6,026	3,175
Impairment loss allowance recognised	—	725
Expected credit losses recognised	**1,184**	—
Reversal of impairment loss previously recognised	—	(66)
Exchange realignment	**(19)**	19
At the end of the year	**7,191**	3,853

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$7,191,000, (2018: HK$3,853,000) was made for individually impaired trade receivables with an aggregate carrying amount of approximately HK$8,522,000 (2018: HK$6,501,000) as at 31 March 2019. These individually impaired trade receivables include customers who have ceased business relationship with the Group and could no longer be contacted by the Group.

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

	2019	2018
	HK$'000	*HK$'000*
Not past due	—	1,646
Less than 1 month past due	**9,042**	5,581
1 to 3 months past due	**4,728**	3,759
More than 3 months past due but less than 12 months past due	**1,108**	973
More than one year past due	**9**	—
	14,887	11,959

11. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

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 2019 and 31 March 2018 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.

12. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(Note (a))*	**6,113**	4,718
Other payables:		
Receipts in advance	**—**	3,060
Provision of warranties *(Note (b))*	**162**	275
Other payables and accruals *(Note (c))*	**3,332**	5,552
Total	**9,607**	13,605
Less: Non-current portion		
Provision of warranties *(Note (c))*	**(114)**	(164)
Total current portion	**9,493**	13,441

12. TRADE AND OTHER PAYABLES *(Continued)*

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

	2019	2018
	HK$'000	*HK$'000*
Current or less than 1 month	**3,559**	3,127
1 to 3 months	**985**	1,064
4 to 6 months	**1,566**	—
7 to 12 months	**—**	—
More than 1 year	**3**	527
	6,113	4,718

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

(b) **Provision for warranties**

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

	2019	2018
	HK$'000	*HK$'000*
At beginning of the year	**275**	451
Provision for the year	**51**	38
Less: Reversal of unused amount	**(152)**	(183)
Amount credited to profit or loss for the year	**(101)**	(145)
Less: Amount utilised	**(12)**	(31)
At the end of the year	**162**	275
Categories as:		
Non-current liabilities	**114**	164
Current liabilities	**48**	111
	162	275

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

13. SHARE CAPITAL

	Notes	Number of ordinary shares	Amount *HK$*
Authorised:			
Ordinary shares of HK$0.001 each			
At 1 April 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 and 31 March 2019		10,000,000,000	10,000,000
Issued and fully paid:			
Ordinary shares of HK$0.001 each			
At 1 April 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 and 31 March 2019		1,000,000,000	1,000,000

Notes:

(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.

13. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(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 an additional 9,620,000,000 shares.

(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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in provision of 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 2019, the Group recorded revenue of approximately HK$75.1 million and profit attributable to the owners of parent of approximately HK$6.6 million, as compared to revenue of approximately HK$65.9 million and loss attributable to owners of the Company of approximately HK$3.5 million for the year ended 31 March 2018. The Group considers the increase in revenue was mainly caused by increase in the revenue from sales of LED lighting fixtures. As for the increase in profit attributable to owners of the Company, it was mainly due to the absence of non-recurring listing expenses which were incurred for the year ended 31 March 2018, though such positive effect was partially offset by an increase in administrative expenses for the year ended 31 March 2019 as compared to last year because of increases in salaries and allowances and legal and professional fees.

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

	For the year ended 31 March			
	2019		2018	
Revenue sources	***HK$'million***	***%***	*HK$'million*	*%*
Sales of LED lighting fixtures	**69.0**	**91.9**	59.7	90.6
Integrated LED lighting solution services	**3.4**	**4.5**	2.0	3.0
LED lighting system consultation and maintenance services	**2.6**	**3.5**	2.5	3.8
Sales of visual-audio systems	**0.1**	**0.1**	1.7	2.6
	75.1	**100.0**	65.9	100.0

Sales of LED lighting fixtures

Our revenue generated from sales of LED lighting fixtures has increased from approximately HK$59.7 million for the year ended 31 March 2018 to approximately HK$69.0 million for the year ended 31 March 2019, representing an increase of 15.6% in this segment. The increase was mainly due to increase of well-known brands establishing flagship stores in the PRC and thus the demand of LED lighting fixtures increased.

Integrated LED lighting solution services

Our revenue generated from integrated LED lighting solution services has increased from approximately HK$2.0 million for the year ended 31 March 2018 to approximately HK$3.4 million for the year ended 31 March 2019, representing an increase of 70.0%. The increase was mainly due to increase of well-known brands establishing flagship stores in the PRC and they required more integrated LED lighting solution services.

LED lighting system consultation and maintenance service

Our revenue generated from LED lighting system consultation and maintenance service has slightly increased from approximately HK$2.5 million for the year ended 31 March 2018 to approximately HK$2.6 million for the year ended 31 March 2019. No material change was noted.

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 from approximately HK$1.7 million for the year ended 31 March 2018 to approximately HK$0.1 million for the year ended 31 March 2019, representing a decrease of approximately HK$1.6 million or 94.1%.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK$65.9 million for the year ended 31 March 2018 by approximately HK$9.2 million or 14.0%, to approximately HK$75.1 million for the year ended 31 March 2019. The increase was mainly due to the increase of sales of LED lighting fixtures.

Direct Costs

Our direct costs increased from approximately HK$31.6 million for the year ended 31 March 2018 by approximately HK$5.4 million or 17.1%, to approximately HK$37.0 million for the year ended 31 March 2019. The increase was in line with the increase of revenue.

Gross Profit

With the impact of the above factors, gross profit increased from approximately HK$34.4 million by approximately HK$3.7 million or 10.8%, to approximately HK$38.1 million.

Other Income and Other Gains and Losses

Our other income and other gains and losses increased from approximately HK$81,000 for the year ended 31 March 2018 by approximately HK$34,000 or 42.0% to HK$115,000 for the year ended 31 March 2019. The increase was mainly due to the exchange gain/(loss), net of approximately HK$68,000 incurred during the year ended 31 March 2019.

Administrative Expenses

Administrative expenses increased from approximately HK$21.0 million for the year ended 31 March 2018 by approximately HK$3.3 million or 15.7%, to approximately HK$24.3 million for the year ended 31 March 2019. Our administrative expenses mainly comprise of salaries and allowances expenses, accounting for approximately HK$18.9 million and approximately HK$16.7 million for the years ended 31 March 2019 and 2018 respectively. The increase in administrative expenses was primarily due to the increase in salaries and allowances (included directors' remuneration) of approximately HK$2.2 million and increase in legal and professional fees for compliance purpose of approximately HK$1.6 million for the year ended 31 March 2019.

Expected credit loss on trade receivables

At initial application of HKFRS 9, the expected credit loss under HKFRS 9 as at 1 April 2018 was approximately HK$6.0 million which compared to the impairment allowance under HKAS 39 as at 1 April 2018 of approximately HK$3.9 million, an additional expected credit loss of approximately HK$2.1 million was adjusted on the opening retained earnings as at 1 April 2018.

The expected credit loss of approximately HK$1.2 million was recognised for the year ended 31 March 2019. Details are set out in note 11 to this results announcement.

Finance Costs

No finance costs has been incurred for the year ended 31 March 2019, compare to approximately HK$147,000 of finance costs for the year ended 31 March 2018.

Listing Expenses

Due to the successful listing on 25 January 2018, the Group recognised listing expenses of approximately HK$13.1 million for the year ended 31 March 2018. The Group did not incur any listing expenses for the year ended 31 March 2019.

Income Tax Expense

Profit before tax has increased from approximately HK$0.2 million for the year ended 31 March 2018 to approximately HK$12.7 million for the year ended 31 March 2019 due to the absence of non-recurring listing expenses which were incurred during the year ended 31 March 2018. Income tax expenses increased from approximately HK$3.8 million by HK$2.3 million or 60.5%, to approximately HK$6.1 million for the year ended 31 March 2019. It is because the net profit generated from our PRC subsidiary, which is subject to a higher tax rate, has increased when compared to the year ended 31 March 2018.

Profit/(loss) for the year

The Group recorded a profit of approximately HK$6.6 million attributable to owners of the Company for the year ended 31 March 2019 compared to the loss attributable to owners of parent of approximately HK$3.5 million for the year ended 31 March 2018. The increase in profit is principally caused by the absence of non-recurring listing expenses which were incurred during the year 31 March 2018.

DIVIDEND

No interim dividend was paid for the year ended 31 March 2019 (2018: nil).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed our operations primarily through cash generated from our operating activities. As at 31 March 2019, we did not have any bank borrowings.

Liquidity ratios

	2019	2018
Current ratio	**5.1**	4.8
Quick ratio	**5.1**	4.7

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 increase in both current ratio and quick ratio was mainly due to the cash generated from operating activities during the year.

Cash and bank balances

As at 31 March 2019, the currency denomination of the Group's cash and bank balances are as follow:

	2019	2018
Currency denomination	***HK$ million***	*HK$ million*
Denominated in:		
HKD	**37.0**	44.1
RMB	**22.2**	11.1
	59.2	55.2

Net current assets

As at 31 March 2019, the Group had net current assets of approximately HK$63.3 million (2018: approximately HK$58.9 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 approximately HK$63.7 million (2018: approximately HK$60.0 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 announcement.

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 2019, the Group had not pledged of any of its assets (2018: nil).

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any contingent liabilities (2018: nil).

CAPITAL EXPENDITURE

During the year, the Group acquired items of property, plant and equipment of approximately HK$85,000 (2018: approximately HK$236,000) and intangible assets of approximately HK$271,000 (2018: approximately HK$nil).

CAPITAL COMMITMENT

As at 31 March 2019, the Group did not have any capital commitment (2018: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, including our executive directors, the Group had a total of 37 (as at 31 March 2018: 37) 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 the 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 2019 (2018: nil). The Group did not have any material acquisition and disposal of subsidiary or affiliated company during the year ended 31 March 2019 (2018: nil).

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Up to 31 March 2019, we utilised the net proceeds raised from the Initial Public Offering 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 31.3.2019	Amount utilised up to 31.3.2019	% utilised
	HK$'million	*HK$'million*	*HK$'million*	
Setting up a factory				
— Rental of factory and staff quarters	2.0	2.0	—	0.0%
— Operating expense including staff costs	3.9	3.9	—	0.0%
—Purchasing computer numeric control machines, three dimensional printer ("**3D printer**") and testing equipment	3.7	3.7	—	0.0%
— Capital expenditure including renovation and purchasing furniture and equipment	1.0	1.0	—	0.0%
Subtotal	10.6	10.6	—	0.0%
Recruiting high calibre staff	4.3	2.4	0.5	11.6%
Pursuing suitable acquisitions	13.0	13.0	—	0.0%
Enhancing our enterprise resource planning ("ERP") system	3.7	3.7	1.0	27.0%
Expanding and upgrading the infrastructure of our workshop and office	1.9	1.9	0.1	5.3%
Working capital and general corporate purpose	1.2	1.2	1.2	100.0%
Grand total	34.7	32.8	2.8	8.1%

The following table sets forth the designated and actual implementation plan up to 31 March 2019:

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
Setting up a factory	— Renovating the factory — Purchasing machinery and equipment, including CNC machines, a 3D printer and testing equipment to meet our production requirements and quality standards — Recruiting new staff with relevant experience starting from late-May 2018 to take up the positions of factory manager, machinery operators and technical staff and other administrative staff — Preparing for and commencing operations of the factory in June 2018	— Searching for suitable premises in Zhongshan to set up the factory. — Obtained 3D printer quotation and is under the selection process.

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
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
	— Monitoring the research and development deliverables of staff	— Recruited a lighting designer to strengthen our products
	— Searching for suitable candidates to join our sales team in preparation of entry into the fast-fashion market in Hong Kong	— Seeking suitable candidates for the position of sales coordinator by advertisement — Recruited a business development manager to seek for new business opportunities
Pursuing suitable acquisitions	— Identifying potential acquisition target(s)	— Identifying potential acquisition target(s)
Enhancing our ERP systems	— Continue testing and modifying the ERP system in both Hong Kong and PRC	— Continue testing and modifying the ERP system in both Hong Kong and PRC
Expanding and upgrading in the workshop and office	— Managing the operational efficiency of our workshop and office	— Managing the operational efficiency of our workshop and office
	— Monitoring the information technology infrastructure to facilitate efficient and streamlined operations and management of our business	— Monitoring the information technology infrastructure to facilitate efficient and streamlined operations and management of our business

The net proceeds from the Listing, after deducting the related expenses, were approximately HK$34.7 million. The Group has utilised approximately HK$2.8 million of the proceeds from the Listing Date to 31 March 2019.

We are still in the process of identifying potential acquisition target(s). Therefore, we have not yet used the approximately HK$13.0 million proceeds designated for pursuing suitable acquisitions.

In addition, up to the date of this announcement, we confirmed the new factory will be situated in Zhongshan and we have already obtained the 3D printer quotations which is under the selection process.

The Company will pursue the implementation plan as disclosed in the Prospectus.

All unutilised balances have been placed in a 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 announcement.

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.

In addition, Asia (especially the PRC) is still the rising engine of the global economy. 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 aluminium, which leads to the increase in metal price. Aluminium is one of the major materials we use 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 environmental protection, 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.

CORPORATE GOVERNANCE PRACTICES

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 throughout the year ended 31 March 2019 and up to the date of this announcement. During the year ended 31 March 2019, the Directors considered that the Company has complied with the CG Code except for the deviations from code provision A.2.1 of the CG code.

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. In view of Mr. Tam Yat Ming Andrew, being the founder of the Group and his experience and his roles 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 of the Board (the "**Chairman**") and continues to act as the chief executive officer ("**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 the power of 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.

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 year ended 31 March 2019.

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

The Directors confirm that during the year ended 31 March 2019 and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

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

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 announcement, there is a sufficient public float of at least 25% of the issued Shares as required under the GEM Listing Rules.

AUDIT COMMITTEE

The 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.

As at the date of this announcement, the Audit Committee of our Company consists of three members, namely Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee. Mr. Chu Yin Kam is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2019.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Company's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2019 as set out in this results announcement have been agreed by the Group's auditor, BDO Limited ("**BDO**"), to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on this announcement.

By Order of the Board
IMS Group Holdings Limited
Tam Yat Ming Andrew
Chairman and Executive Director

Hong Kong, 28 June 2019

As at the date of this announcement, the Board comprises Mr. Tam Yat Ming Andrew (Chairman and Chief Executive Officer) and Mr. Yeung Wun Tang Andy (Chief Operating Officer) as Executive Directors, and, Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee as Independent Non-executive Directors.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the day of its publication. This announcement will also be published on the Company's website at www.ims512.com.