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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 2020**

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 of Hong Kong Limited (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 IMS Group Holdings Limited (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 2020, 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 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	<i>5</i>	61,424	75,082
Cost of sales		<u>(28,742)</u>	<u>(36,975)</u>
Gross profit		32,682	38,107
Other income		480	47
Other gains and losses, net		92	68
Administrative expenses		(25,585)	(24,341)
Reversal of (Loss allowance) on trade receivables		<u>575</u>	<u>(1,184)</u>
Profit from operation		8,244	12,697
Finance costs	<i>6(a)</i>	<u>(217)</u>	–
Profit before income tax expenses	<i>6</i>	8,027	12,697
Income tax expenses	<i>8</i>	<u>(3,040)</u>	<u>(6,111)</u>
Profit attributable to owners of the Company		<u>4,987</u>	<u>6,586</u>
Other comprehensive loss:			
<i>Items that are or may be reclassified to profit or loss:</i>			
Exchange difference on translating foreign operations		<u>(1,902)</u>	<u>(746)</u>
Other comprehensive loss for the year		<u>(1,902)</u>	<u>(746)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>3,085</u>	<u>5,840</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted	<i>10</i>	<u>0.50</u>	<u>0.66</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		8,148	414
Intangible assets		604	238
Right-of-use assets		4,478	–
Deposit paid under operating leases	<i>11</i>	–	32
		13,230	684
Current assets			
Inventories		1,055	1,065
Trade and other receivables	<i>11</i>	5,155	18,095
Tax receivables		216	309
Cash and cash equivalents		63,279	59,150
		69,705	78,619
Current liabilities			
Trade and other payables	<i>12</i>	5,798	9,493
Contract liabilities		4,261	3,296
Lease liabilities		2,095	–
Tax payables		187	2,542
		12,341	15,331
Net current assets		57,364	63,288
Total assets less current liabilities		70,594	63,972
Non-current liabilities			
Other payables	<i>12</i>	22	114
Contract liabilities		159	172
Deferred tax liabilities		1,157	–
Lease liabilities		2,485	–
		3,823	286
NET ASSETS		66,771	63,686
Capital and reserves			
Share capital	<i>13</i>	1,000	1,000
Reserves		65,771	62,686
TOTAL EQUITY		66,771	63,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2020

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. The principal place of business is located at Unit 1201, 12th Floor, Block C, Seaview Estate, 8 Watson Road, North Point, Hong Kong.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019

The HKICPA has issued a number of new/revised HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s consolidated financial statements:

Annual Improvements to HKFRSs	2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Except for HKFRS 16 as described below, the adoption of the above new/revised HKFRSs does not have any significant impact on the consolidated financial statements.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. HKFRS 16 also requires enhanced disclosures to be provided by lessees.

The Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the “**DIA**”) using the modified retrospective approach in which comparative information has not been restated and continues to be reported under HKAS 17.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA and applied the following practical expedients on a lease-by-lease basis.

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA;
- (c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA ("**short-term leases**") and low-value assets;
- (d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA;
- (e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The Group has applied incremental borrowing rate of 5% to the lease liabilities at the DIA.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 March 2019 and lease liabilities recognised at the DIA is as follows:

	<i>HK\$'000</i>
Operating lease commitments at 31 March 2019	2,605
	<u>2,605</u>
Discounted using the lessee's incremental borrowing rate at the DIA	2,340
Less: Short-term leases with remaining lease term ending on or before 31 March 2020	(1,055)
Less: Leases of low-value assets	(42)
	<u>1,243</u>
Lease liabilities as at 1 April 2019	<u>1,243</u>

At the DIA, all right-of-use assets were presented within the line item “right-of-use assets” on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

As a result, transfer was made at the DIA to reflect the change in presentation:

	31 March 2019	Impact on initial application of HKFRS 16	1 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Right-of-use assets	–	1,243	1,243
Liabilities			
Lease liabilities	–	1,243	1,243

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

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKASs 1 and 8	Definition of Material ¹
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ³
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

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

² Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

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

⁴ Effective for annual periods beginning on or after 1 January 2021

⁵ The effective date to be determined

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

(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**”).

The Group comprises the following major geographical segments:

	Revenue from external customers by customers’ location		Specified non-current assets by assets’ location	
	2020 HK\$’000	2019 HK\$’000	2020 HK\$’000	2019 HK\$’000
Hong Kong (place of domicile)	4,275	8,175	7,123	642
The People’s Republic of China (the “PRC”)	30,464	43,830	6,107	10
Asia (excluding Hong Kong and the PRC)	24,920	21,805	–	–
Europe	300	434	–	–
Others	1,465	838	–	–
	<u>61,424</u>	<u>75,082</u>	<u>13,230</u>	<u>652</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	N/A	16,874
Customer B	10,412	8,343

The revenue from Customer A was less than 10% of the revenue of the Group for the year ended 31 March 2020.

In the following table, revenue is disaggregated by 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

	Integrated LED lighting solution service		Sales of LED lighting and fixtures		Sales of visual-audio systems		LED lighting system consultation and maintenance services		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Geographical markets										
- Hong Kong (place of domicile)	116	3,370	2,665	3,061	105	103	1,389	1,641	4,275	8,175
- The PRC	3,475	-	24,679	43,825	-	-	2,310	5	30,464	43,830
- Asia (excluding Hong Kong and the PRC)	-	-	23,325	20,901	-	-	1,595	904	24,920	21,805
- Europe	-	-	300	434	-	-	-	-	300	434
- Others	-	-	1,465	838	-	-	-	-	1,465	838
	3,591	3,370	52,434	69,059	105	103	5,294	2,550	61,424	75,082
Timing of revenue recognition										
- At a point in time	-	-	52,434	69,059	105	103	-	-	52,539	69,162
- Over time	3,591	3,370	-	-	-	-	5,294	2,550	8,885	5,920
	3,591	3,370	52,434	69,059	105	103	5,294	2,550	61,424	75,082

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Revenue – at point in time</i>		
Sales of LED lighting and fixtures	52,434	69,059
Sales of visual-audio systems	105	103
<i>Revenue – over time</i>		
LED lighting system consultation and maintenance services	5,294	2,550
Integrated LED lighting solution service	3,591	3,370
	<u>61,424</u>	<u>75,082</u>

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>(a) Finance costs</i>		
Interest on lease liabilities	<u>217</u>	<u>–</u>
<i>(b) Other items</i>		
Costs of inventories recognised as expenses	23,609	32,498
Auditor's remuneration		
– Audit-related assurance services	500	850
Depreciation of property, plant and equipment	743	422
Amortisation of intangible assets	54	33
Depreciation of right-of-use assets	1,716	–
Leases expenses of other premises under short term leases	755	–
Leases expenses of low-value asset	15	–
Rental expenses for leases previously classified as operating leases under HKAS 17		
– Land and building	–	2,473
– Plant and equipment	–	60
(Reversal of) Loss allowance on trade receivables	<u>(575)</u>	<u>1,184</u>

7. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fees, wages and salaries	18,296	17,651
Post-employment benefits – payment to defined contribution retirement plan	628	611
Other benefits	1,128	685
	<u>20,052</u>	<u>18,947</u>

Employee benefit expenses included an amount of HK\$4,625,000 (2019: HK\$3,713,000) charged to cost of sales as labour costs for the year ended 31 March 2020.

8. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax		
– Under provision in respect of prior years	–	84
PRC enterprise income tax (“EIT”)		
– Current year	1,814	6,027
	<u>1,814</u>	<u>6,111</u>
Withholding income tax	55	–
Deferred income tax	1,171	–
Income tax expense	<u>3,040</u>	<u>6,111</u>

Hong Kong profits tax

No provision of Hong Kong profits tax had been made as the Group's does not have assessable profit or has tax losses brought forward to set off assessable profit from Hong Kong for the years ended 31 March 2020 and 2019.

PRC EIT

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Withholding income tax

Under the EIT Law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e. non-China tax resident enterprise, will be subject to the PRC withholding tax at 10% or a reduced treaty rate depending on provisions of tax treaty entered between the PRC and the jurisdiction where the foreign enterprise incorporated. The withholding tax rate is 5% for the holding company in Hong Kong if the holding company is the beneficial owner of the dividend received from the invested enterprises in the PRC and obtained the approval of enjoying the treaty rate from the PRC tax authorities. The withholding tax imposed on the dividend income received from the Group's PRC entities will reduce the Group's net income.

Withholding income tax is provided on the dividends to be distributed by a PRC subsidiary of the Group. The relevant company has successfully obtained endorsement from PRC tax bureau to enjoy the treaty benefit of 5% EIT rate on dividends received from a PRC subsidiary of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the PRC subsidiary.

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 March 2020 (2019: Nil).

10. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Numerator		
Profit attributable to owners of the Company	<u>4,987</u>	<u>6,586</u>
	<i>'000 shares</i>	<i>'000 shares</i>
Denominator		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (HK cents)	<u>0.50</u>	<u>0.66</u>

(b) Diluted

Diluted earnings per share is same as basic earnings per share as there was no potential dilutive ordinary shares for the years ended 31 March 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables			
From third parties		10,252	23,409
Less: Expected credit loss		(6,429)	(7,191)
		<hr/>	<hr/>
Trade receivables, net	<i>(a)</i>	3,823	16,218
		<hr/>	<hr/>
Other receivables			
Prepayment and deposits		1,230	1,798
Other receivables		102	111
		<hr/>	<hr/>
		1,332	1,909
		<hr/>	<hr/>
Total trade and other receivables		5,155	18,127
		<hr/>	<hr/>
Less: Non-current portion			
Deposits paid under operating leases		–	(32)
		<hr/>	<hr/>
Current portion		5,155	18,095
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The Group generally allows a credit period within 30 (2019: 30) days to its trade customers. Application for progress payments on projects are made on regular basis. The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the earlier of invoice date or revenue recognition date is as follow:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Less than 1 month	536	8,536
1 month to 3 months	1,146	4,515
4 months to 6 months	1,308	2,810
More than 6 months but less than one year	833	177
More than one year	–	180
	<hr/>	<hr/>
	3,823	16,218
	<hr/> <hr/>	<hr/> <hr/>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of the reporting period	7,191	6,026
(Reversal of) Loss allowance on trade receivables	(575)	1,184
Exchange realignment	(187)	(19)
	<u>6,429</u>	<u>7,191</u>

12. TRADE AND OTHER PAYABLES

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	<i>(a)</i>	<u>4,708</u>	<u>6,113</u>
Other payables			
Provision of warranties		117	162
Other payables and accruals		<u>995</u>	<u>3,332</u>
		<u>1,112</u>	<u>3,494</u>
Total trade and other payables		<u>5,820</u>	<u>9,607</u>
Less: Non-current portion			
Provision of warranties		(22)	(114)
Current portion		<u>5,798</u>	<u>9,493</u>

Note:

- (a) The credit period of trade payables is normally within 30 (2019: 30) days. The ageing analysis of the trade payables based on invoice date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current or less than 1 month	545	3,559
1 month to 3 months	363	985
4 months to 6 months	709	1,566
7 months to 12 months	3,078	–
More than one year	13	3
	<u>4,708</u>	<u>6,113</u>

13. SHARE CAPITAL

	2020		2019	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.001 each	<u>10,000,000,000</u>	<u>10,000</u>	<u>10,000,000,000</u>	<u>10,000</u>
Issued and fully paid:				
At 1 April and 31 March	<u>1,000,000,000</u>	<u>1,000</u>	<u>1,000,000,000</u>	<u>1,000</u>

14. EVENTS AFTER THE REPORTING PERIOD

The assessment of the impact of the Coronavirus Disease 2019 (“COVID-19”)

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group.

Given the dynamic nature of the COVID-19 outbreak, it is not practicable at this stage to provide a reasonable estimate of its impacts on the Group’s financial position, cash flows and operating results at the date of this announcement.

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 luxury brands mainly in the Asia market.

For the year ended 31 March 2020, the Group recorded revenue of approximately HK\$61.4 million and profit attributable to the owners of parent of approximately HK\$5.0 million, as compared to revenue of approximately HK\$75.1 million and profit attributable to owners of the Company of approximately HK\$6.6 million for the year ended 31 March 2019. The Group considers the decrease in revenue was mainly caused by a decrease in revenue from sales of LED lighting fixtures. As for the decrease in profit attributable to owners of the Company, it was mainly due to the decrease in gross profit for the year ended 31 March 2020.

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

Revenue sources	For the year ended 31 March			
	2020		2019	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>
Sales of LED lighting fixtures	52.4	85.3	69.0	91.9
Integrated LED lighting solution services	3.6	5.9	3.4	4.5
LED lighting system consultation and maintenance services	5.3	8.6	2.6	3.5
Sales of visual-audio systems	0.1	0.2	0.1	0.1
	<u>61.4</u>	<u>100.0</u>	<u>75.1</u>	<u>100.0</u>

Sales of LED lighting fixtures

Our revenue generated from sales of LED lighting fixtures has decreased from approximately HK\$69.0 million for the year ended 31 March 2019 to approximately HK\$52.4 million for the year ended 31 March 2020, representing a decrease of approximately 24.1% in this segment. The decrease was mainly due to the clients' suspension of projects in response to the COVID-19 situation in the first quarter of 2020.

Integrated LED lighting solution services

Our revenue generated from integrated LED lighting solution services has remained relatively stable, which slightly increased from approximately HK\$3.4 million for the year ended 31 March 2019 to approximately HK\$3.6 million for the year ended 31 March 2020, representing an increase of approximately 5.9%.

LED lighting system consultation and maintenance service

Our revenue generated from LED lighting system consultation and maintenance service has increased from approximately HK\$2.6 million for the year ended 31 March 2019 to approximately HK\$5.3 million for the year ended 31 March 2020, representing an increase of approximately 103.8%. The increase was mainly due to the increase of maintenance services required from the customers in the PRC during the year.

Sales of visual-audio systems

Our sales of visual-audio systems has remained at approximately HK\$0.1 million for the year ended 31 March 2020 (2019: approximately HK\$0.1 million).

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$75.1 million for the year ended 31 March 2019 by approximately HK\$13.7 million or 18.2%, to approximately HK\$61.4 million for the year ended 31 March 2020. The decrease was mainly due to the decrease in revenue from sales of LED lighting fixtures.

Cost of Sales

Our cost of sales decreased from approximately HK\$37.0 million for the year ended 31 March 2019 by approximately HK\$8.3 million or 22.4%, to approximately HK\$28.7 million for the year ended 31 March 2020. The decrease was in line with the decrease in revenue.

Gross Profit

With the impact of the above factors, gross profit decreased from approximately HK\$38.1 million for the year ended 31 March 2019 by approximately HK\$5.4 million or 14.2%, to approximately HK\$32.7 million for the year ended 31 March 2020. However, the gross profit margin slightly increased from approximately 50.8% for the year ended 31 March 2019 by approximately 2.4%, to approximately 53.2% for the year ended 31 March 2020.

Other Income and Other Gains and Losses

Our other income and other gains and losses increased from approximately HK\$115,000 for the year ended 31 March 2019 by approximately HK\$457,000 or 397.4% to HK\$572,000 for the year ended 31 March 2020. The increase was mainly due to the increase in bank interest income from fixed time deposits of approximately HK\$410,000 generated during the year ended 31 March 2020.

Administrative Expenses

Administrative expenses increased from approximately HK\$24.3 million for the year ended 31 March 2019 by approximately HK\$1.3 million or 5.3%, to approximately HK\$25.6 million for the year ended 31 March 2020. The increase in administrative expenses was mainly due to the increase in salaries and allowances (included directors' remuneration) of approximately HK\$0.1 million, increase in office expenses of approximately HK\$0.2 million and increase in legal and professional fees for compliance purpose of approximately HK\$0.3 million for the year ended 31 March 2020.

Loss Allowance on Trade Receivables

The reversal of loss allowance of approximately HK\$0.6 million (2019: provision of loss allowance of approximately HK\$1.2 million) was recognised for the year ended 31 March 2020.

Finance Costs

Finance costs represented the interest of lease liabilities in relation to office premises and staff accommodation of approximately HK\$0.2 million for the year ended 31 March 2020 (2019: nil).

Income Tax Expense

Profit before income tax expenses has decreased from approximately HK\$12.7 million for the year ended 31 March 2019 by approximately HK\$4.7 million or 37.0%, to approximately HK\$8.0 million for the year ended 31 March 2020 due to the decrease in gross profit for the year ended 31 March 2020. The income tax expenses decreased from approximately HK\$6.1 million for the year ended 31 March 2019 by approximately HK\$3.1 million or 50.8%, to approximately HK\$3.0 million for the year ended 31 March 2020. It is because the Group has better income tax planning between the PRC subsidiaries and Hong Kong subsidiaries and certain Hong Kong subsidiaries had tax losses brought forward to offset the current year assessable profits.

Profit for the year

The Group recorded a profit of approximately HK\$5.0 million attributable to owners of the Company for the year ended 31 March 2020 compared to the profit of approximately HK\$6.6 million attributable to owners of the Company for the year ended 31 March 2019. The decrease in profit is mainly due to the decrease in gross profit.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed our operations primarily through cash generated from operating activities. As at 31 March 2020, we did not have any bank borrowings.

Liquidity ratios

	For the year ended 31 March 2020	For the year ended 31 March 2019
Current ratio	5.6	5.1
Quick ratio	5.6	5.1

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 2020, the currency denomination of the Group's cash and bank balances and fixed time deposits are as follow:

Currency denomination	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>
Denominated in:		
HKD	30.7	37.0
RMB	32.6	22.2
EUR	– ⁽¹⁾	–
	63.3	59.2

⁽¹⁾ Represents amount less than HK\$1,000.

Net current assets

As at 31 March 2020, the Group had net current assets of approximately HK\$57.4 million (2019: approximately HK\$63.3 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\$66.8 million (2019: approximately HK\$63.7 million).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 March 2020 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 are 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 2020, the Group had not pledged of any of its assets (2019: nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any contingent liabilities (2019: nil).

CAPITAL EXPENDITURE

During the year, the Group acquired items of property, plant and equipment of approximately HK\$8,602,000 (2019: approximately HK\$85,000) and intangible assets of approximately HK\$420,000 (2019: approximately HK\$271,000).

CAPITAL COMMITMENT

As at 31 March 2020, the Group had capital commitment of approximately HK\$1.0 million (2019: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, including our executive Directors, the Group had a total of 42 (as at 31 March 2019: 37) employees, of which 36 employees were in Hong Kong and 6 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 those employees in the PRC.

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 2020 (2019: nil). The Group did not have any material acquisition and disposal of subsidiary or affiliated company during the year ended 31 March 2020 (2019: nil).

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

Up to 31 March 2020, 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 <i>HK\$'million</i>	Amount utilised up to 31 March 2020 <i>HK\$'million</i>	% utilised
Setting up a factory			
– Rental of factory and staff quarters	2.0	0.3	15.0%
– Operating expense including staff costs	3.9	0.9	23.1%
– Purchasing computer numeric control (“CNC”) machines, three dimensional printer (“3D Printer”) and testing equipment	3.7	3.4	91.9%
– Capital expenditure including renovation and purchasing furniture and equipment	1.0	1.0	100.0%
Subtotal	10.6	5.6	52.8%
Recruiting high calibre staff	4.3	1.5	34.9%
Pursuing suitable acquisitions	13.0	–	0.0%
Enhancing our enterprise resource planning (“ERP”) system	3.7	1.4	37.8%
Expanding and upgrading the infrastructure of our workshop and office	1.9	1.9	100.0%
Working capital and general corporate purpose	1.2	1.2	100.0%
Grand total	34.7	11.6	33.4%

The following table sets forth the designated and actual implementation plan up to 31 March 2020:

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
Setting up a factory	– Renovating the factory	– The renovation of the rented premises in Zhongshan is completed
	– Purchasing machinery and equipment, including CNC machines, a 3D Printer and testing equipment to meet our production requirements and quality standards	– 3D Printer is in use to facilitate the product development process – Deposits was paid and pending for the delivery of CNC machines
	– Recruiting new staff with relevant experience starting late-May 2018 to take up the positions of factory manager, machinery operators and technical and other administrative staff	– Recruitment process is completed and the relevant position are recruited
	– Preparing for and commencing operations of the factory in June 2018	– The factory commence operations in April 2020
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	– Monitoring the research and development deliverables of staff
	– Seeking suitable candidates for the position of lighting designer, marketing manager and sales coordinator	– Recruited a lighting designer to strengthen our products and a marketing manager to promote our company – Seeking suitable candidates for the position of sales coordinator by advertisement

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
	<ul style="list-style-type: none"> – Searching for suitable candidates to join our sales team in preparation of entry into the fast-fashion market in Hong Kong 	<ul style="list-style-type: none"> – Recruited a business development manager to seek for new business opportunities
Pursuing suitable acquisitions	<ul style="list-style-type: none"> – Identifying potential acquisition target(s) 	<ul style="list-style-type: none"> – The Chief Executive Officer of the Company (the “CEO”) had preliminary discussion with some potential acquisition targets and will continue to identify suitable acquisition target(s)
Enhancing our ERP systems	<ul style="list-style-type: none"> – Continue testing and modifying the ERP system in both Hong Kong and the PRC 	<ul style="list-style-type: none"> – Continue testing and modifying the ERP system in both Hong Kong and the PRC
Expanding and upgrading our workshop and office	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – Completed the expansion and upgrade of our workshop and office – 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\$11.6 million of the proceeds from the listing on 25 January 2018 to 31 March 2020.

During the year, the Company has applied the net proceeds in accordance with the implementation plan as disclosed in the Prospectus. However, the actual use of proceeds was lower than the planned use of proceeds as of 31 March 2020 primarily due to following reasons:

Setting up a factory

Since the setting up of the factory was delayed from June 2018 to April 2020, there was a delay in recognizing relevant operating expenses including rental and staff costs. Based on the Directors’ estimation, the planned proceeds in relation to setting up a factory will be fully utilised by 31 March 2022.

Recruiting high calibre staff

The proceeds used for recruiting high calibre staff were less than planned as at 31 March 2020 because (i) the Group is still seeking suitable candidates to fill the position of a sales coordinator; and (ii) the Group has taken a longer time than expected to recruit these high calibre staff as more time is required to seek suitable candidates and thus delayed the staff costs incurred. Based on the Directors' estimation, the planned proceeds in relation to recruiting high calibre staff will be fully utilised by 31 March 2022.

Pursuing suitable acquisition and enhancing the ERP system

Due to the adverse impact of the COVID-19 on the global economy, the Group will adopt a more cautious approach in pursuing suitable acquisitions and in further enhancing the ERP system. However, the Group will continue to pursue its plan to spend the remaining proceeds in accordance with the implementation plan disclosed in the Prospectus and will continue to identify suitable acquisition targets that are financially sound, and also look for suitable improvements to the ERP system, with an aim to achieve a sustainable business growth, for the long term benefit and development of the Group.

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

EVENTS AFTER REPORTING PERIOD

Save as disclosed in Note 14, 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 Asia. The shares of the Company were successfully listed on GEM of the Stock Exchange of Hong Kong Limited on 25 January 2018. 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 addition, Asia (especially the PRC) is still the rising engine of the global economy. We expect there will be rising domestic demand from luxury renowned brands. However, the outbreak of the COVID-19 at the end of 2019 has severely affected the overall economic activities globally and especially in the PRC. The impact faced by our Group includes production and transportation restrictions and suspension of production of our suppliers in the first quarter of 2020 in compliance with the COVID-19 prevention and control measures announced by the PRC government. In response, the Group has regularly carried out assessments of the overall impact of the pandemic on its operations and has taken all possible contingency measures to contain such impact. The management anticipates there will be impacts on the business in the second and third quarters of 2020.

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 2020 and up to the date of this announcement. During the year ended 31 March 2020, 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 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 2020.

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

The Directors confirm that during the year ended 31 March 2020 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 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.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2020.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars CPA Limited 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

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

Hong Kong, 19 June 2020

As at the date of this announcement, the Board comprises Mr. Tam Yat Ming Andrew (Chairman and Chief Executive Officer) and Mr. Lo King Shun 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.