



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



**IMS
GROUP**

**INTERIM
REPORT**

2020

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tam Yat Ming Andrew
(Chairman and Chief Executive Officer)
Mr. Lo King Shun

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Lee Pui Chung

COMPLIANCE OFFICER

Mr. Tam Yat Ming Andrew

AUTHORISED REPRESENTATIVES

Mr. Tam Yat Ming Andrew
Mr. Lee Pui Chung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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LEGAL ADVISERS

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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2103B, 21/F, 148 Electric Road,
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STOCK CODE

8136

COMPANY'S WEBSITE

www.ims512.com

SUMMARY

1. The Group has recorded an unaudited total revenue of approximately HK\$18.8 million for the six months ended 30 September 2020, which represented a decrease of approximately 55.4% as compared to the six months ended 30 September 2019.
2. The Group recorded an unaudited loss attributable to owners of the Company for the six months ended 30 September 2020 of approximately HK\$0.5 million, representing a decrease of approximately HK\$9.4 million as compared with a profit of approximately HK\$8.8 million for the six months ended 30 September 2019.
3. The board of directors (the "**Board**") of the Company does not recommend the payment of interim dividend for the six months ended 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

For the six months ended 30 September 2020, the Group recorded revenue of approximately HK\$18.8 million and loss attributable to the owners of the Company of approximately HK\$0.5 million, as compared to revenue of approximately HK\$42.1 million and profit attributable to owners of the Company of approximately HK\$8.8 million for the six months ended 30 September 2019. The Group considers the decrease in revenue and the recognition of a loss attributable to owners of the Company were primarily attributable to the following reasons:

- (i) as the novel coronavirus disease (“COVID-19”) pandemic continued to spread worldwide, most countries implemented temporary closure of parts of business premises and anti-epidemic policies since March 2020, causing the sales volume of the Group to decrease and thereby resulting in a decline in sales revenue of the Group; and
- (ii) the COVID-19 pandemic resulted in delay in resuming production, employees returning to work and supply of materials, as well as imbalance of production and increase in cost of anti-epidemic measures after the Chinese New Year, which led to a reduction in productivity and an increase in operating costs of the Group.

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

	2020 (unaudited) HK\$ million	Six months ended 30 September		
		%	2019 (unaudited) HK\$ million	%
Revenue from contracts with customers (within the scope of HKFRS 15)				
Revenue – at a point of time				
Sale of LED lighting fixtures	13.4	71.3	37.8	89.8
Sale of visual-audio systems	0.1	0.5	0.1	0.2
Revenue – over time				
LED lighting system consultation and maintenance services	2.2	11.7	2.0	4.8
Integrated LED lighting solution services	3.1	16.5	2.2	5.2
	18.8	100.0	42.1	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of LED lighting fixtures

For the sales of LED lighting fixtures, it has decreased from approximately HK\$37.8 million for the six months ended 30 September 2019 to approximately HK\$13.4 million for the six months ended 30 September 2020, which represents a decrease of approximately 64.6% or HK\$24.4 million, which is directly contributed by the decrease in number of projects in the PRC for the six months ended 30 September 2020.

Sales of visual-audio systems

We have recorded revenue of approximately HK\$0.1 million for the six months ended 30 September 2020 (2019: approximately HK\$0.1 million), representing approximately 0.5% of the Group's revenue.

LED lighting system consultation and maintenance services

Our revenue generated from LED lighting system consultation and maintenance service increased from approximately HK\$2.0 million for the six months ended 30 September 2019 to approximately HK\$2.2 million for the six months ended 30 September 2020, which represents an increase of approximately 10.0% or HK\$0.2 million in this segment.

Integrated LED lighting solution services

Our revenue generated from integrated LED lighting solution services increased from approximately HK\$2.2 million for the six months ended 30 September 2019 to approximately HK\$3.1 million for the six months ended 30 September 2020, which represented an increase of approximately HK\$0.9 million or 40.9% which was due to increasing demand from our existing customers.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK\$23.3 million or 55.4%, from HK\$42.1 million for the six months ended 30 September 2019 to approximately HK\$18.8 million for the six months ended 30 September 2020, as revenue generated from sales of LED lighting fixtures has decreased by approximately HK\$24.4 million for the six months ended 30 September 2020.

Direct Costs and Gross Profit

Our direct costs comprise of components, staff costs, subcontracting fee and labour costs. The direct costs decreased by approximately HK\$9.4 million or 48.8%, from approximately HK\$19.3 million for the six months ended 30 September 2019 to approximately HK\$9.9 million for the six months ended 30 September 2020, which is in line with the decrease in revenue for the six months ended 30 September 2020.

Our gross profit decreased by approximately HK\$13.9 million from approximately HK\$22.8 million for the six months ended 30 September 2019 to approximately HK\$8.9 million for the six months ended 30 September 2020, and the gross profit margin decreased from 54.2% for the six months ended 30 September 2019 to 47.5% for the six months ended 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Our administrative expenses decreased by approximately HK\$1.8 million or 14.4%, from approximately HK\$12.6 million for the six months ended 30 September 2019 to approximately HK\$10.8 million for the six months ended 30 September 2020. The decrease was mainly due to the decrease of legal and professional fee expenses of approximately HK\$0.7 million and overseas travelling expenses of approximately HK\$0.6 million.

Income Tax Expense

Income tax expense has decreased significantly from approximately HK\$1.5 million for the six months ended 30 September 2019 to approximately HK\$1.0 million for the six months ended 30 September 2020, primarily due to the combined effect of significant decrease in profit and the increase of withholding income tax.

(Loss)/profit for the period

The Group recorded a loss of approximately HK\$0.5 million attributable to owners of the Company for the six months ended 30 September 2020, representing a decrease of approximately HK\$9.4 million as compared with a profit of approximately HK\$8.8 million for the six months ended 30 September 2019. The loss is caused by the decrease in revenue and gross profit margins.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed our operations primarily through cash generated from our operating activities. As at 30 September 2020 and 31 March 2020, we did not have any bank borrowings.

Liquidity ratios

	30 September 2020	31 March 2020
Current ratio	4.1	5.6
Quick ratio	3.9	5.6

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Cash and bank balances

As at 30 September 2020, the currency denomination of the Group's cash and bank balances (included fixed bank deposits) are as follows:

Currency denomination	30 September 2020 HK\$ million	31 March 2020 HK\$ million
Denominated in:		
HKD	60.3	30.7
RMB	5.6	32.6
EUR	– ⁽¹⁾	– ⁽¹⁾
	65.9	63.3

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

Net current assets

As at 30 September 2020, the Group had net current assets of approximately HK\$57.1 million (as at 31 March 2020: HK\$57.4 million).

Total equity

The equity of the Group mainly comprises share capital, share premium and reserves. As at 30 September 2020, the Group's total equity attributable to owners of the Company amounted to approximately HK\$67.2 million (as at 31 March 2020: approximately HK\$66.8 million).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since 31 March 2020 and up to the date of this report.

TREASURY POLICY

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 period, there has been no material impact to the Group arising from the fluctuation in the foreign exchange rates.

The Group has not engaged in any derivatives agreement and has not committed to any financial instruments to hedge its foreign exchange exposure during the period.

PLEDGE OF ASSETS

As at 30 September 2020, the Group did not pledge any assets (as at 31 March 2020: nil).

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any contingent liabilities (as at 31 March 2020: nil).

CAPITAL EXPENDITURE

During the six months ended 30 September 2020, the Group acquired items of property, plant and equipment of approximately HK\$5,000 (year ended 31 March 2020: approximately HK\$8.6 million) and acquired intangible asset of approximately HK\$40,000 (year ended 31 March 2020: HK\$0.4 million).

CAPITAL COMMITMENT

As at 30 September 2020, the Group did not have any capital commitment (as at 31 March 2020: approximately HK\$1.0 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, including our executive Directors, the Group had a total of 62 (as at 31 March 2020: 42) employees, of which 36 employees were in Hong Kong and 26 employees were in the PRC. The Group's total staff costs (including directors' emoluments) amounted to approximately HK\$10.5 million for the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$9.5 million).

Human resources are vital to our business. In 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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Furthermore, the Company has conditionally adopted a share option scheme on 22 December 2017 so as to motivate, attract and retain right employees.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (THE “IPO”) AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Up to 30 September 2020, we utilized the net proceeds raised from the IPO in accordance with the designated uses set out in the prospectus issued by the Company on 11 January 2018 (the “**Prospectus**”) and the supplemental announcement of the Company issued on 24 August 2020 (the “**Supplemental Announcement**”) as follows:

Description	Amount designated in the Prospectus (as adjusted based on the actual net proceeds raised)	Unutilised amount as at 31 March 2019	Unutilised amount as at 30 September 2019	Unutilised amount as at 31 March 2020	Unutilised amount as at 30 September 2020	Expected date to fully utilise the unutilised amount
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	
Setting up a factory						
- Rental of factory and staff quarters	2.0	2.0	1.8	1.7	1.4	31 March 2022
- Operating expense including staff costs	3.9	3.9	3.9	3.0	1.7	31 March 2022
- Purchasing computer numeric control machines, 3D printer and testing equipment	3.7	3.7	2.7	0.3	Nil	N/A
- Capital expenditure including renovation and purchasing furniture and equipment	1.0	1.0	Nil	Nil	Nil	N/A
Subtotal	10.6	10.6	8.4	5.0	3.1	31 March 2022
Recruiting high calibre staff	4.3	3.8	3.3	2.8	2.3	31 March 2022
Pursuing suitable acquisitions	13.0	13.0	13.0	13.0	13.0	31 December 2022
Enhancing our ERP system	3.7	2.7	2.5	2.3	2.0	31 March 2022
Expanding and upgrading the infrastructure of our workshop and office	1.9	1.8	0.2	Nil	Nil	N/A
Working capital and general corporate purpose	1.2	Nil	Nil	Nil	Nil	N/A
Total	34.7	31.9	27.4	23.1	20.4	

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2020, the remaining amount of approximately HK\$20.4 million was expected to be utilised in the same manner as disclosed in the Prospectus and the Supplemental Announcement based on the following timeline:

Setting up a factory

According to the Prospectus, the net proceeds allocated for setting up a factory (as adjusted on a pro rata basis based on the actual net proceeds raised) was planned to be fully utilised by 31 March 2019. The actual use of the net proceeds up to 31 March 2019, 30 September 2019, 31 March 2020 and 30 September 2020 was nil, approximately HK\$2.2 million, HK\$5.6 million and HK\$7.5 million respectively. The actual used amount was less than the planned use amount during the relevant period primarily because the plan to set up the factory (from the preliminary preparation phase, to the production line preparation and to the commencement of factory operations) was postponed as the Board needed more time to assess the potential impact of US-China trade frictions on the Group's business. As a result, the commencement of operations of the factory was delayed from June 2018 to April 2020, which has led to a delay in utilising the proceeds and recognising the related expenses. The Board considers that the delay had no material adverse impact on the business operation and financial position of the Group because prior to the commencement of operation of the factory, our Group was able to purchase sufficient LED Lighting Fixtures from existing suppliers of the Group to cover the demand for our products.

It is expected that the unutilised proceeds will be used for the rental of factory and the staff quarters as well as for the operating expenses relating to the operation of the factory, and will be fully utilised on or before 31 March 2022.

Recruiting high calibre staff

According to the Prospectus, the planned use of net proceeds (as adjusted on a pro rata basis based on the actual net proceeds raised) for recruiting high calibre staff up to 31 March 2019, 30 September 2019 and 31 March 2020 was approximately HK\$2.4 million, HK\$3.6 million and HK\$4.3 million respectively. The actual use of the net proceeds up to 31 March 2019, 30 September 2019, 31 March 2020 and 30 September 2020 was approximately HK\$0.5 million, HK\$1.0 million, HK\$1.5 million and HK\$2.0 million respectively. The actual used amount was less than the planned use amount during the relevant period primarily because (i) 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; and (ii) the Group is still seeking a suitable candidate to fill the position of a sales coordinator.

The Group will continue to seek a suitable candidate to fill the role of sales coordinator and it is expected that the unutilised proceeds will be used for paying the staff costs in relation to the high calibre staff recruited by the Group and will be fully utilised on or before 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuing suitable acquisitions

Up to 30 September 2020, approximately HK\$13.0 million allocated for pursuing suitable acquisitions has not been utilised by the Group, which was planned to be fully utilised by 31 March 2019 as set forth in the Prospectus. In light of the uncertainty and potential adverse impact on the global economy caused by the US-China trade frictions and the outbreak of COVID-19 after listing, the Group has adopted a more cautious approach in evaluating suitable acquisition targets based on a range of factors, including investment return, acquisition consideration, profitability of acquisition target(s), synergic effect with our Group and challenges and expenses that could arise from integrating with the acquisition target(s).

Since listing, the management of the Group has explored several acquisition opportunities, however, up to 30 September 2020, the Group has not identified any suitable acquisition targets. The Group will require more time to identify suitable acquisition target(s) based on the factors identified above, and it is expected that the unutilised net proceeds will be fully utilised on or before 31 December 2022.

Enhancing our ERP system

Up to 30 September 2020, approximately HK\$2.0 million allocated for enhancing our ERP system has not been utilised by the Group, which was planned to be fully utilised by 31 March 2019 as set out in the Prospectus. The actual used amount was less than the planned use amount during the relevant period primarily because while the Group has implemented the ERP system in the Hong Kong office, the implementation of the ERP systems (including the centralized inventory system and production system) for the PRC factory was delayed due to the postponement of the setting up of the factory.

The Group will continue to monitor the efficiency and effectiveness of the current ERP system in place and implement further adjustments and/or upgrades as appropriate. It is expected that the unutilised net proceeds for enhancing our ERP system will be fully utilised on or before 31 March 2022.

The expected timeline for fully utilising the unutilised proceeds disclosed above is based on the best estimation from the Board with latest information as at the date of this report. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and the Group considers that the delay in use of net proceeds does not have any material adverse impacts on the operation of the Group. However, due to the adverse impacts of the outbreak of COVID-19 on worldwide economies, the Board will continue to closely monitor the situation and evaluate the impacts on the timeline to utilise the unutilised proceeds and will keep shareholders and potential investors informed if there are any material changes.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER REPORTING PERIOD

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

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 enable 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 transportation restrictions 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 during 2020.

INTERIM RESULTS

The Board of the Company is pleased to announce the unaudited condensed consolidation interim financial statements of the Group for the six months ended 30 September 2020, together with the comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2020

	Notes	Three months ended 30 September		Six months ended 30 September	
		2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue	4	7,256	24,706	18,764	42,082
Direct costs		(4,415)	(11,713)	(9,860)	(19,276)
Gross profit		2,841	12,993	8,904	22,806
Other income		1,285	17	2,484	44
Other gains and losses, net		(85)	(70)	(23)	38
Administrative expenses		(5,197)	(6,935)	(10,806)	(12,625)
(Loss)/profit from operation		(1,156)	6,005	559	10,263
Finance cost	5/a)	(46)	-	(99)	-
(Loss)/profit before income tax expense	5	(1,202)	6,005	460	10,263
Income tax expense	7	(648)	(76)	(1,006)	(1,453)
(Loss)/profit attributable to owners of the Company		(1,850)	5,929	(546)	8,810
Other comprehensive income/(loss)					
<i>Item that are or may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		843	(1,183)	1,009	(1,946)
Other comprehensive income/(loss) for the period attributable to owners of the Company		843	(1,183)	1,009	(1,946)
Total comprehensive (loss)/income for the period attributable to owners of the Company		(1,007)	4,746	463	6,864
(Loss)/earnings per share		HK cents	HK cents	HK cents	HK cents
Basic and diluted	8	(0.19)	0.59	(0.05)	0.88

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	<i>Notes</i>	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	8,207	8,148
Intangible asset		575	604
Right-of-use assets		3,450	4,478
		12,232	13,230
Current assets			
Inventories		3,897	1,055
Trade and other receivables	11	5,370	5,155
Tax recoverable		216	216
Cash and cash equivalents		65,961	63,279
		75,444	69,705
Current liabilities			
Trade and other payables	12	5,284	5,798
Contract liabilities		10,499	4,261
Lease liabilities		2,162	2,095
Tax payables		375	187
		18,320	12,341
Net current assets		57,124	57,364
Total assets less current liabilities		69,356	70,594
Non-current liabilities			
Other payables		21	22
Contract liabilities		88	159
Deferred tax liabilities		604	1,157
Lease liabilities		1,409	2,485
		2,122	3,823
NET ASSETS		67,234	66,771
Capital and reserves			
Share capital	13	1,000	1,000
Reserves		66,234	65,771
TOTAL EQUITY		67,234	66,771

Approved and authorised for issue by the Board of Directors and signed on its behalf by

Mr. Tam Yat Ming Andrew
Director

Mr. Lo King Shun
Director

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium ⁽¹⁾ HK\$'000	Merger reserve ⁽²⁾ HK\$'000	Exchange reserve ⁽³⁾ HK\$'000	Statutory surplus reserve ⁽⁴⁾ HK\$'000	Retained Profits ⁽⁵⁾ HK\$'000	Total HK\$'000
As at 31 March 2020 (audited)	1,000	50,946	8	(1,930)	1,324	15,423	66,771
Loss for the period	-	-	-	-	-	(546)	(546)
Other comprehensive loss: <i>Items that are or may be reclassified to profit or loss:</i>							
Exchange differences on translating foreign operations	-	-	-	1,009	-	-	1,009
Total comprehensive income for the period	-	-	-	1,009	-	(546)	463
As at 30 September 2020 (unaudited)	1,000	50,946	8	(921)	1,324	14,877	67,234
As at 31 March 2019 (audited)	1,000	50,946	8	(28)	1,324	10,436	63,686
Profit for the period	-	-	-	-	-	8,810	8,810
Other comprehensive loss: <i>Items that are or may be reclassified to profit or loss:</i>							
Exchange differences on translating foreign operations	-	-	-	(1,946)	-	-	(1,946)
Total comprehensive income for the period	-	-	-	(1,946)	-	8,810	6,864
As at 30 September 2019 (unaudited)	1,000	50,946	8	(1,974)	1,324	19,246	70,550

INTERIM RESULTS

Notes:

- (1) Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.
- (2) Merger reserve represents the difference between the Company's investment costs in subsidiaries and the aggregated share capital of the subsidiaries whose shares were transferred to the Company pursuant to the reorganisation.
- (3) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.
- (4) In accordance with the relevant regulation in the PRC, a subsidiary operating in the PRC is required to transfer 10% of its profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of its respective registered capital. The statutory surplus reserve is non-distributable, and is subject to certain restrictions set out in the relevant regulations in the PRC. This reserve can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above usages.
- (5) Retained profits represents cumulative net profits recognised in the consolidated statements of profit or loss and other comprehensive income.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash generated from operating activities		3,099	6,466
Net cash generated from/(used in) investing activities		246	(15,867)
Net cash used in financing activities		(1,108)	-
Net increase/(decrease) in cash and cash equivalents		2,237	(9,401)
Effect of exchange rate changes on cash and cash equivalents		445	(2,017)
Cash and cash equivalents at beginning of the period		63,279	59,150
Cash and cash equivalents at end of the period		65,961	47,732

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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, 12/F, Block C, Seaview Estate, 8 Watson Road, North Point, Hong Kong.

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.

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

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "**HKFRSs**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited condensed consolidated interim financial statements have been prepared under historical cost convention.

The principal accounting policies used in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020, except for the new and revised HKFRSs issued by the HKICPA that are adopted for the first time for the current accounting period of the Group.

The adoption of these new and revised HKFRSs has had no material effect on the amounts reported in these unaudited condensed consolidated interim financial statements and/or disclosures set out in these unaudited condensed consolidated interim financial statements. The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

During the period, 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.

4. 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 respective periods are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
Revenue - at a point in time				
Sale of LED lighting fixtures	5,321	22,273	13,394	37,843
Sale of visual-audio systems	37	-	37	25
Revenue - over time				
LED lighting system consultation and maintenance services	1,147	1,259	2,240	2,055
Integrated LED lighting solution services	751	1,174	3,093	2,159
	7,256	24,706	18,764	42,082

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
(a) Finance costs				
Interest on lease liabilities	46	-	99	-
(b) Other items				
Costs of inventories recognised as expenses	1,928	10,415	5,481	16,919
Auditor's remuneration - Audit-related assurance services	125	212	250	425
Depreciation of property, plant and equipment - Administrative expenses	302	115	599	215
- Cost of sales	18	-	19	-
Amortisation of intangible assets	13	14	69	27
Depreciation of right-of-use assets	529	-	1,056	-
Leases expenses of other premises under short term leases	8	-	31	-
Rental expenses for leases previously classified as operating leases under HKAS 17 - Land and building	-	664	-	1,385
- Plant and equipment	-	17	-	27

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	Three months ended 30 September		Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Fees, wages and salaries	4,803	4,312	9,948	8,673
Post-employment benefits – payment to defined contribution retirement plan	160	157	329	314
Other benefits	220	444	270	550
	5,183	4,913	10,547	9,537

7. INCOME TAX EXPENSE

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

	Three months ended 30 September		Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Current tax				
Hong Kong profits tax – current period	–	192	–	192
PRC enterprise income tax ("EIT") – current period	(74)	(116)	299	1,261
Withholding income tax	737	–	737	–
Deferred income tax	(15)	–	(30)	–
Income tax expense	648	76	1,006	1,453

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2019: 16.5%) of the estimated assessable profits during the period.

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.

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% (six months ended 30 September 2019: 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%.

PRC EIT

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 periods.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Earnings				
Earnings for the purpose of basic earnings per share	(1,850)	5,929	(546)	8,810
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share <i>(Note)</i>	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000

Note:

Diluted earnings per share is same as basic earnings per share as there was no potential dilutive ordinary shares for the six months ended 30 September 2020 and 2019.

9. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired items of property, plant and equipment with a cost of approximately HK\$5,000 (for the year ended 31 March 2020: approximately HK\$8.6 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Trade receivables			
From third parties		10,132	10,252
Less: Expected credit loss		(6,531)	(6,429)
Trade receivables, net	(a)	3,601	3,823
Other receivables			
Prepayment and deposits		1,660	1,230
Other receivables		109	102
	(b)	1,769	1,332
Total trade and other receivables		5,370	5,155

Note:

- (a) The Group generally allows a credit period within 30 (year ended 31 March 2020: 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:

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Less than 1 month	1,606	536
1 month to 3 months	470	1,146
4 months to 6 months	1,525	1,308
More than 6 months but less than one year	-	833
	3,601	3,823

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (Continued)

Note: (Continued)

(a) (Continued)

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
At beginning of the reporting period	6,429	7,191
(Reversal of) Loss allowance on trade receivables	-	(575)
Exchange realignment	102	(187)
At the end of the reporting period	6,531	6,429

(b) The above balances of other receivables, prepayments and deposits as at 30 September 2020 and 31 March 2020 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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Trade payables	4,299	4,708
Other payables:		
Provision of warranties	60	117
Other payables and accruals	946	995
Total trade and other payables	5,305	5,820
Less: Non-current portion		
Provision of warranties	(21)	(22)
Total current portion	5,284	5,798

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES *(Continued)*

The credit period of trade payables is normally within 30 (year ended 31 March 2020: 30) days. The ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Current or less than 1 month	1,278	545
1 to 3 months	203	363
4 to 6 months	476	709
7 to 12 months	1,437	3,078
More than 1 year	905	13
	4,299	4,708

13. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.001 each		
As at 31 March 2020 (audited) and 30 September 2020 (unaudited)	10,000,000,000	10,000,000
Issued and fully paid:		
As at 31 March 2020 (audited) and 30 September 2020 (unaudited)	1,000,000,000	1,000,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

(b) Key management compensation

The key management personnel of the Group are the directors and senior management of the Group. The remuneration paid or payable to them during the period are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Fees, wages and salaries	1,337	1,190	2,674	2,785
Post-employment benefits – payment to defined contribution retirement plan	23	23	45	50
	1,360	1,213	2,719	2,835

15. CAPITAL COMMITMENT

As at 30 September 2020, the Group did not have any capital commitment (as at 31 March 2020: approximately HK\$1.0 million).

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

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

Long position in the Shares of the Company

<u>Name of Directors</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding in our Company</u>
Mr. Tam Yat Ming Andrew ⁽¹⁾	Interest in controlled corporation ⁽²⁾	490,000,000	49%

Notes:

(1) On 11 August 2020, The Garage Investment Limited ("**Garage Investment**"), Eight Dimensions Investment Limited ("**Eight Dimensions**"), Mr. Tam Yat Ming Andrew ("**Mr. Tam**") and Mr. Yeung Wun Tang Andy ("**Mr. Yeung**") entered into a deed of termination (the "**Termination Deed**") to terminate the acting in concert arrangement under the acting in concert agreement dated 25 August 2017 entered into among themselves. Upon execution of the Termination Deed, Mr. Tam (and Garage Investment) and Mr. Yeung (and Eight Dimensions) are no longer deemed to be interested in each other's interest in the Shares.

(2) 490,000,000 Shares are held by Mr. Tam indirectly through Garage Investment, which is wholly-owned by Mr. Tam.

OTHER INFORMATION

Long position in the Shares of associated corporations

<u>Name of Directors</u>	<u>Name of associated corporation</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Mr. Tam	Garage Investment	Beneficial owner	1	100.00%

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

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

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

Long position in the Shares

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Percentage of shareholding</u>
Eight Dimensions ⁽¹⁾	Beneficial owner	260,000,000	26%
Garage Investment ⁽¹⁾	Beneficial owner	490,000,000	49%
Mr. Yeung ⁽¹⁾	Interest in controlled corporation ⁽²⁾	260,000,000	26%
Ms. Hung Ying ⁽³⁾	Interest of spouse	260,000,000	26%
Ms. Ng Wing Sze ⁽⁴⁾	Interest of spouse	490,000,000	49%

Note:

- (1) On 11 August 2020, Garage Investment, Eight Dimensions, Mr. Tam and Mr. Yeung entered into the Termination Deed to terminate the acting in concert arrangement under the Acting in Concert Agreement. Upon execution of the Termination Deed, Mr. Tam (and Garage Investment) and Mr. Yeung (and Eight Dimensions) are no longer deemed to be interested in each other's interest in the Shares.

OTHER INFORMATION

- (2) 260,000,000 Shares are held by Mr. Yeung indirectly through Eight Dimensions, which is wholly-owned by Mr. Yeung.
- (3) Ms. Hung Ying is the spouse of Mr. Yeung. By virtue of the SFO, Ms. Hung Ying is deemed to be interested in the Shares in which Mr. Yeung is interested.
- (4) Ms. Ng Wing Sze is the spouse of Mr. Tam. By virtue of the SFO, Ms. Ng Wing Sze is deemed to be interested in the Shares in which Mr. Tam is interested.

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

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was approved and conditionally adopted by the then shareholders of the Company by way of written resolutions on 22 December 2017.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "**Required Standard Dealings**"). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings up to the date of this report.

COMPETING INTERESTS

None of the Directors or the controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has any business or interest in a business that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2020.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2020.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the shareholders.

The Company has adopted the Corporate Governance Code (the "CG Code") as stated in Appendix 15 of the GEM Listing Rules, except for the deviation from code provision A2.1 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.

The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group's operations and business development. There is a clear division of responsibilities between the Chairman and CEO which provides a balance of power and authority.

EVENTS AFTER THE REPORTING PERIOD

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this report.

OTHER INFORMATION

AUDIT COMMITTEE

The financial information in this report has not been audited by the auditor of the Company. Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established the audit committee (the "**Audit Committee**") with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Chu Yin Kam (Chairman), Dr. Wilson Lee and Mr. Ha Yiu Wing, being the independent non-executive Directors.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the six months ended 30 September 2020 and is of the opinion that such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

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

Hong Kong, 9 November 2020

As at the date of this report, the Board comprises Mr. Tam Yat Ming Andrew (Chairman and Chief Executive Officer) and Mr. Lo King Shun as Executive Directors, Mr. Chu Yin Kam, Mr. Ha Yiu Wing and Dr. Wilson Lee as Independent Non-executive Directors.