



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

Interim Report 2019/2020



**IMS
GROUP**

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Lee Pui Chung

COMPLIANCE OFFICER

Mr. Tam Yat Ming Andrew

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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LEGAL ADVISERS

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PRINCIPAL BANKERS

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Limited
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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman)
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Cricket Square
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

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COMPANY'S WEBSITE

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SUMMARY

1. The Group has recorded an unaudited total revenue of approximately HK\$42.1 million for the six months ended 30 September 2019, which represented an increase of approximately 8.2% as compared to the six months ended 30 September 2018.
2. The Group recorded an unaudited profit attributable to owners of the Company for the six months ended 30 September 2019 of approximately HK\$8.8 million, which represented an increase of approximately 72.6% as compared to the six months ended 30 September 2018.
3. The Board does not recommend the payment of interim dividend for the six months ended 30 September 2019.

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 2019, the Group recorded revenue of approximately HK\$42.1 million and profit attributable to owners of the Company of approximately HK\$8.8 million, as compared to revenue of approximately HK\$38.9 million and profit attributable to owners of the Company of approximately HK\$5.1 million for the six months ended 30 September 2018. The Group considers the improvement in profit is attributed by the improving of the gross profit margin and the better income tax planning within the Group for the six months ended 30 September 2019.

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

Time of revenue recognition (within the scope of HKFRS 15)	Six months ended 30 September			
	2019 (unaudited) HK\$’ million	%	2018 (unaudited) HK\$’ million	%
Revenue — at a point of time				
Sale of LED lighting fixtures	37.8	89.8	36.9	94.8
Sale of visual-audio systems	0.1	0.2	0.1	0.3
Revenue — over time				
LED lighting system consultation and maintenance services	2.0	4.8	1.9	4.9
Integrated LED lighting solution services	2.2	5.2	—	—
	42.1	100.0	38.9	100.0

Sales of LED lighting fixtures

For the sales of LED lighting fixtures, it has increased from approximately HK\$36.9 million for the six months ended 30 September 2018 to approximately HK\$37.8 million for the six months ended 30 September 2019, represents an increase of 2.4% or approximately HK\$0.9 million, which is directly contributed by the increase in number of projects in the PRC for the six months ended 30 September 2019.

Sales of visual-audio systems

We have recorded revenue of approximately HK\$0.1 million for the six months ended 30 September 2019 (2018: approximately HK\$0.1 million), representing 0.2% of the Group’s revenue.

LED lighting system consultation and maintenance service

Our revenue generated from LED lighting system consultation and maintenance service increased from approximately HK\$1.9 million for the six months ended 30 September 2018 to approximately HK\$2.0 million for the six months ended 30 September 2019, represents an increase of 5.3% or approximately HK\$ 0.1 million in this segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Integrated LED lighting solution services

We have recorded revenue from integrated LED lighting solution services of approximately HK\$2.2 million (2018: HK\$nil). Those services were requested by our existing customers.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$3.2 million or 8.2%, from HK\$38.9 million for the six months ended 30 September 2018 to approximately HK\$42.1 million for the six months ended 30 September 2019, as revenue generated from integrated LED lighting solution services has been increased by approximately HK\$2.2 million for the six months ended 30 September 2019.

Direct Costs and Gross Profit

Our direct costs comprise of components, staff costs, subcontracting fee and labour costs. The direct costs increased by approximately HK\$0.7 million or 3.9%, from approximately HK\$18.6 million for the six months ended 30 September 2018 to approximately HK\$19.3 million for the six months ended 30 September 2019, which is in line with the increase in revenue for the six months ended 30 September 2019.

Our gross profit increased by approximately HK\$2.5 million from approximately HK\$20.3 million for the six months ended 30 September 2018 to approximately HK\$22.8 million for the six months ended 30 September 2019, and the gross profit margin increased from 52.3% for the six months ended 30 September 2018 to 54.2% for the six months ended 30 September 2019.

Administrative Expenses

Our administrative expenses increased by approximately HK\$0.3 million or 2.4%, from approximately HK\$12.3 million for the six months ended 30 September 2018 to approximately HK\$12.6 million for the six months ended 30 September 2019. No material fluctuation was noted.

Income Tax Expense

Income tax expense has been decreased significantly from approximately HK\$2.9 million for the six months ended 30 September 2018 to approximately HK\$1.5 million for the six months ended 30 September 2019, as we have better income tax planning between PRC subsidiaries and Hong Kong subsidiaries and certain Hong Kong subsidiaries had tax losses to off-set the assessable profits.

Profit for the period

The Group recorded a profit of approximately HK\$8.8 million attributable to owners of the Company for the six months ended 30 September 2019, which represents an increase of 72.6% or approximately HK\$3.7 million compared to the six months ended 30 September 2018. The increase in profit is caused by the improving of the gross profit margin and the better income tax planning within the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The group financed our operations primarily through cash generated from our operating activities. As at 30 September 2019 and 31 March 2019, we did not have any bank borrowings.

Liquidity ratios

	30 September 2019	31 March 2019
Current ratio	6.3	5.1
Quick ratio	6.3	5.1

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

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

Cash and bank balances

As at 30 September 2019, the currency denomination of the Group's cash and bank balances (included fixed bank deposits) are as follow:

Currency denomination	30 September 2019 HK\$ million	31 March 2019 HK\$ million
Denominated in:		
Hong Kong Dollar ("HKD")	37.3	37.0
Renminbi ("RMB")	24.7	22.2
	62.0	59.2

Net current assets

As at 30 September 2019, the Group had net current assets of HK\$68.8 million (as at 31 March 2019: HK\$63.3 million).

Total equity

The equity of the Group mainly comprises share capital, share premium and reserves. As at 30 September 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK\$70.6 million (as at 31 March 2019: approximately HK\$63.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since 31 March 2019 and up to the date of this report.

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

Majority of the Group's business operations were conducted in Hong Kong and the PRC. The sales of the Group are denominated in HKD and RMB, which were the functional currencies. The purchases of the Group are denominated in RMB, HKD and US dollars. During the period, 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 period.

PLEDGE OF ASSETS

As at 30 September 2019, the Group did not pledge any assets (as at 31 March 2019: nil).

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any contingent liabilities (as at 31 March 2019: nil).

CAPITAL EXPENDITURE

During the period ended 30 September 2019, the Group acquired items of property, plant and equipment of approximately HK\$1.6 million (For the year ended 31 March 2019: approximately HK\$0.1 million) and did not acquire any intangible asset (For the year ended 31 March 2019: HK\$0.3 million).

CAPITAL COMMITMENT

As at 30 September 2019, the Group had capital commitment of approximately HK\$2.3 million (as at 31 March 2019: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, including our executive Directors, the Group had a total of 40 (as at 31 March 2019: 37) employees, of which 37 employees were in Hong Kong and 3 employees were in the PRC. The Group's total staff costs (including directors' emoluments) amounted to approximately HK\$9.5 million for the six months ended 30 September 2019 (for the six months ended 30 September 2018: approximately HK\$9.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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

- (1) a defined scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for those employees in Hong Kong who are eligible to participate; and
- (2) a "five social insurance and one housing fund" retirement pension scheme in accordance with the Retirement Policy of the Chinese Government for PRC employees.

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

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

Up to 30 September 2019, we utilized the net proceeds raised from the IPO in accordance with the designated uses set out in the prospectus issued by the Company on 11 January 2018 (the "**Prospectus**") as follows:

Description	Amount designated in the Prospectus HK\$ million	Planned use of proceeds from Listing Date to 30.9.2019 HK\$ million	Amount utilised up to 30.9.2019 HK\$ million	% utilised
Setting up a factory				
– Rental of factory and staff quarters	2.0	2.0	0.2	10%
– Operating expense including staff costs	3.9	3.9	—	0.0%
– Purchasing computer numeric control machines, three dimensional printer and testing equipment	3.7	3.7	1.0	27%
– Capital expenditure including renovation and purchasing furniture and equipment	1.0	1.0	1.0	100%
Subtotal	10.6	10.6	2.2	20.8%
Recruiting high calibre staff	4.3	3.6	1.0	23.3%
Pursuing suitable acquisitions	13.0	13.0	—	0.0%
Enhancing our enterprise resource planning ("ERP") system	3.7	3.7	1.2	32.4%
Expanding and upgrading the infrastructure of our workshop and office	1.9	1.9	1.7	89.5%
Working capital and general corporate	1.2	1.2	1.2	100%
Grand total	34.7	34.0	7.3	21.0%

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the designated and actual implementation plan up to 30 September 2019:

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 scheduled to be completed on or before 31 December 2019
	— Purchasing machinery and equipment, including CNC machines, a 3D printer and testing equipment to meet our production requirements and quality standards	— Paid deposits and pending for the delivery of 3D printer and testing equipment
	— 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	— Obtained quotation of CNC machines and the Company is in the selection process
	— Preparing for and commencing Operations of the factory in June 2018	— Starting the recruitment process in October 2019
Recruiting high calibre staff	— Continuously reviewing the performance of our staff in relation to our business performance	— Expected to commence operations on or before 31 December 2019
	— Monitoring the research and development deliverables of staff	— Continuously reviewing the performance of our staff in relation to our business performance
	— Seeking suitable candidates for the position of lighting designer, marketing manager and sales coordinator	— Monitoring the research and development deliverables of staff
		— Recruited a lighting designer to strengthen our products and a marketing manager to promote our company

MANAGEMENT DISCUSSION AND ANALYSIS

Purpose	Implementation activities as stated in the Prospectus	Actual implementation activities
Pursuing suitable acquisitions	<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 — Identifying potential acquisition target(s) 	<ul style="list-style-type: none"> — Seeking suitable candidates for the position of sales coordinator by advertisement — Recruited a business development manager to seek for new business opportunities — Identifying potential acquisition target(s) and the Chief Executive Officer of the Company (the “CEO”) had preliminary discussion with the shareholders of those potential 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

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 Hong Kong. The Shares of the Company were successfully listed on GEM of the Stock Exchange 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 a rising domestic demand towards would-renowned luxury brands, and hence a rising demand for our product and service offerings brands.

However, the on-going US-China trade war adds uncertainties to the global business environment and also to our business. Our major component, LED chips, are sourced from the United States, which would be potentially affected by steps taken by the United States. In response to the potential threat from the US-China trade war, we work closely with our suppliers to monitor the quality of LED chips supplied. On the contrary, entry barrier may be imposed by the PRC to block our potential competitors, from the United States, to enter the PRC market. We could take this opportunity to enlarge our market in the PRC. Our management team will closely monitor and assess the potential impact of the US-China trade war on our business.

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

INTERIM RESULTS

The board of directors (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 2019, together with the comparative unaudited figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue	4	24,706	23,865	42,082	38,882
Direct costs		(11,713)	(10,888)	(19,276)	(18,561)
Gross profit		12,993	12,977	22,806	20,321
Other income		17	7	44	17
Other gains and losses, net		(70)	(16)	38	(38)
Administrative expenses		(6,935)	(6,578)	(12,625)	(12,331)
Profit before income tax expense	5	6,005	6,390	10,263	7,969
Income tax expense	7	(76)	(1,610)	(1,453)	(2,864)
Profit for the year and attributable to owners of the Company		5,929	4,780	8,810	5,105
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(1,183)	(673)	(1,946)	(1,439)
Other comprehensive income for the year and attributable to owners of the Company, net of tax		(1,183)	(673)	(1,946)	(1,439)
Total comprehensive income for the year and attributable to owners of the Company		4,746	4,107	6,864	3,666
Earnings per share		HK cents	HK cents	HK cents	HK cents
Basic and diluted	8	0.59	0.48	0.88	0.51

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Notes	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	1,753	414
Intangible asset		211	238
Deposit paid under operating leases		32	32
		1,996	684
Current assets			
Inventories		1,115	1,065
Trade and other receivables	11	18,200	18,095
Tax recoverable		309	309
Fixed bank deposits		14,255	—
Cash and cash equivalents		47,732	59,150
		81,611	78,619
Total assets		83,607	79,303
Current liabilities			
Trade and other payables	12	10,632	9,493
Contract liabilities		1,496	3,296
Current tax liabilities		731	2,542
		12,859	15,331
Net current assets		68,752	63,288
Total assets less current liabilities		70,748	63,972
Non-current liabilities			
Other payables		6	114
Contract liabilities		192	172
		198	286
Total liabilities		13,057	15,617
NET ASSETS		70,550	63,686
Equity			
Share capital	13	1,000	1,000
Reserves		69,550	62,686
TOTAL EQUITY		70,550	63,686

On behalf of the board of directors

Mr. Tam Yat Ming, Andrew
Director

Mr. Yeung Wun Tang, Andy
Director

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	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 2019 (audited)	1,000	50,946	8	(28)	1,324	10,436	63,686
Profit for the period	—	—	—	—	—	8,810	8,810
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
As at 31 March 2018 (audited)	1,000	50,946	8	718	1,324	6,023	60,019
Profit for the period	—	—	—	—	—	5,105	5,105
Transfer to Statutory surplus reserve	—	—	—	—	859	(859)	—
Exchange differences on translating foreign operations	—	—	—	(1,439)	—	—	(1,439)
Total comprehensive income for the period	—	—	—	(1,439)	859	4,246	3,666
As at 30 September 2018 (unaudited)	1,000	50,946	8	(721)	2,183	10,269	63,685

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 2019

	<i>Notes</i>	Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash generated from operating activities		6,466	403
Net cash used in investing activities		(15,867)	(513)
Net cash used in financing activities		—	—
Net decrease in cash and cash equivalents		(9,401)	(110)
Effect of exchange rate changes on cash and cash equivalents		(2,017)	(1,469)
Cash and cash equivalents at beginning of the period		59,150	55,238
Cash and cash equivalents at end of the period		47,732	53,659

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. Since 18 July 2019, the principal place of business has been changed from Room 1801, 18/F, 148 Electric Road, Fortress Hill, Hong Kong to Unit 1201, 12/F, Block C, Seaview Estate, No.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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019, 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

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:

Time of revenue recognition (within the scope of HKFRS 15)	Three months ended 30 September		Six months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue — at a point of time				
Sale of LED lighting fixtures	22,273	22,552	37,843	36,881
Sale of visual-audio systems	—	46	25	75
Revenue — over time				
LED lighting system consultation and maintenance services	1,259	1,267	2,055	1,926
Integrated LED lighting solution services	1,174	—	2,159	—
	24,706	23,865	42,082	38,882

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. 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	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Costs of inventories recognised as expenses	10,415	9,565	16,919	16,103
Auditor's remuneration	212	154	425	308
Amortisation	14	7	27	13
Depreciation	115	113	215	236
Operating lease rentals in respect of:				
— Land and buildings	664	654	1,385	1,235
— Plant and equipment	17	15	27	29
Provision of impairment of trade receivables	—	300	—	300
Employee benefit expenses (<i>Note 6</i>)	4,913	4,676	9,537	9,320
Exchange loss/(gain), net	70	16	(38)	38

6. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	Three months ended 30 September		Six months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Fees, wages and salaries	4,312	4,188	8,673	8,624
Post-employment benefits — payment to defined contribution retirement plan	157	153	314	302
Other benefits	444	335	550	394
	4,913	4,676	9,537	9,320

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Current tax — Hong Kong profits tax				
— current year	192	—	192	—
Current tax — overseas profits tax				
— current year	(116)	1,610	1,261	2,864
Income tax expense	76	1,610	1,453	2,864

Hong Kong profits tax is calculated at 16.5% (2018: 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% (2018: 16.5%). The profits of corporations in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. 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	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Earnings				
Earnings for the purpose of basic earnings per share	5,929	4,780	8,810	5,105
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 2019 and 2018.

9. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with a cost of approximately HK\$1.6 million (for the year ended 31 March 2019: approximately HK\$0.1 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade receivables <i>(Note (a))</i>	13,828	16,218
Other receivables <i>(Note (b))</i>	133	111
Prepayments and deposits <i>(Note (b))</i>	4,271	1,798
Total	18,232	18,127
Less: Non-current portion		
Deposits paid under operating leases <i>(Note (b))</i>	(32)	(32)
Current portion	18,200	18,095
<i>(a)</i>		
	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade receivables	20,817	23,409
Less: Expected credit loss	(7,191)	(7,191)
Exchange realignment	202	—
	13,828	16,218

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

An ageing analysis of trade receivables (net of impairment), based on invoice date, is as follows:

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Less than 1 month	1,559	8,536
1 to 3 months	7,878	4,515
3 months to 6 months	648	2,810
More than 6 months but less than one year	3,564	177
More than one year	179	180
	13,828	16,218

- (b) The above balances of other receivables, prepayments and deposits as at 31 March 2019 and 31 March 2018 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

12. TRADE AND OTHER PAYABLES

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade payables	8,568	6,113
Other payables:		
Provision of warranties	24	162
Other payables and accruals	2,046	3,332
Total	10,638	9,607
Less: Non-current portion		
Provision of warranties	(6)	(114)
Total current portion	10,632	9,493

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

An ageing analysis of trade payables, based on invoice date, is as follows:

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Current or less than 1 month	1,337	3,559
1 to 3 months	7,183	985
4 to 6 months	33	1,566
7 to 12 months	1	—
More than 1 year	14	3
	8,568	6,113

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

13. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.001 each		
As at 31 March 2019 (audited) and 30 September 2019 (unaudited)	<u>10,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
As at 31 March 2019 (audited) and 30 September 2019 (unaudited)	<u>1,000,000,000</u>	<u>1,000,000</u>

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	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Fees, wages and salaries	1,190	1,301	2,785	2,820
Post-employment benefits — payment to defined contribution retirement plan	23	18	50	36
	1,213	1,319	2,835	2,856

15. CAPITAL COMMITMENT

As at 30 September 2019, the Group is committed to purchase item of property, plant and equipment of approximately HK\$2.3 million (as at 31 March 2019: HK\$nil).

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executive in the shares (the "Share"), 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 executives 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 Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long position in the Shares of the Company

Name of Directors	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Yeung Wun Tang Andy	Interest in controlled corporation ⁽¹⁾ /	260,000,000	26%
	Interest held jointly with another person ⁽³⁾	490,000,000	49%
Mr. Tam Yat Ming Andrew	Interest in controlled corporation ⁽²⁾ /	490,000,000	49%
	Interest held jointly with another person ⁽³⁾	260,000,000	26%

Notes:

- (1) 260,000,000 Shares are held by Mr. Yeung Wun Tang Andy ("**Mr. Yeung**") indirectly through Eight Dimensions Investment Limited ("**Eight Dimensions**"), which is wholly-owned by Mr. Yeung.
- (2) 490,000,000 Shares are held by Mr. Tam Yat Ming Andrew ("**Mr. Tam**") indirectly through The Garage Investment Limited ("**Garage Investment**"), which is wholly-owned by Mr. Tam.
- (3) On 25 August 2017, Eight Dimensions, Mr. Yeung, Garage Investment and Mr. Tam entered into an acting in concert agreement, pursuant to which each of them is deemed to be interested in the entire 750,000,000 Shares held by Eight Dimensions and Garage Investment, representing 75.00% of the total issued share capital of the Company by virtue of the SFO.

OTHER INFORMATION

Long position in the shares of associated corporations

<u>Name of Directors</u>	<u>Name of associated corporation</u>	<u>Capacity/nature of interest</u>	<u>Number of ordinary shares</u>	<u>Approximate percentage of shareholding in the associated corporation</u>
Mr. Yeung Wun Tang Andy	Eight Dimensions	Beneficial owner	1	100.00%
Mr. Tam Yat Ming Andrew	Garage Investment	Beneficial owner	1	100.00%

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

(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>Substantial Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Percentage of shareholding of the Company</u>
Eight Dimensions	Beneficial owner/ Interest held jointly with another person ⁽¹⁾	260,000,000	26%
		490,000,000	49%
Garage Investment	Beneficial owner/ Interest held jointly with another person ⁽¹⁾	490,000,000	49%
		260,000,000	26%

OTHER INFORMATION

Note:

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

Save as disclosed above and so far as is known to the Directors, as at the date of this report, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "Disclosure of interests – (a) Interests and short positions of Directors and chief executive in the Shares, underlying Shares and debentures of the Company and our associated corporations" 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.

OTHER INFORMATION

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 2019.

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 2019.

INTEREST OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited ("**Kingsway**") as the compliance adviser. Kingsway, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Except for the compliance adviser agreement entered into between the Company and the compliance adviser dated 15 June 2017, none of the compliance adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or in the share capital of any member of the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this report.

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.

OTHER INFORMATION

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.

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 2019 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, 11 November 2019

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