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IMS Group Holdings Limited
英馬斯集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8136)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2021**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

ANNUAL RESULTS

The board of Directors (the “**Board**”) of IMS Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2021, together with the comparative audited figures for the corresponding period of last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	<i>5</i>	55,648	61,424
Cost of sales		<u>(27,312)</u>	<u>(28,742)</u>
Gross profit		28,336	32,682
Other income		2,871	480
Other gains and losses, net		(35)	92
Administrative expenses		(23,878)	(25,585)
(Loss allowance) Reversal of loss allowance on trade receivables	<i>11(a)</i>	<u>(741)</u>	<u>575</u>
Profit from operation		6,553	8,244
Finance costs	<i>6(a)</i>	<u>(176)</u>	<u>(217)</u>
Profit before income tax expenses	<i>6</i>	6,377	8,027
Income tax expenses	<i>8</i>	<u>(948)</u>	<u>(3,040)</u>
Profit attributable to owners of the Company		<u>5,429</u>	<u>4,987</u>
Other comprehensive income (loss): <i>Item that is or may be reclassified to profit or loss:</i>			
Exchange difference on translating foreign operations		<u>1,813</u>	<u>(1,902)</u>
Other comprehensive income (loss) for the year		<u>1,813</u>	<u>(1,902)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>7,242</u>	<u>3,085</u>
		<i>HK cent</i>	<i>HK cent</i>
Earnings per share			
Basic and diluted	<i>10</i>	<u>0.54</u>	<u>0.50</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		7,229	8,148
Intangible assets		509	604
Right-of-use assets		2,572	4,478
		10,310	13,230
Current assets			
Inventories		3,683	1,055
Trade and other receivables	11	16,077	5,155
Tax receivables		–	216
Cash and cash equivalents		62,874	63,279
		82,634	69,705
Current liabilities			
Trade and other payables	12	9,922	5,798
Contract liabilities		5,351	4,261
Lease liabilities		2,286	2,095
Tax payables		233	187
		17,792	12,341
Net current assets		64,842	57,364
Total assets less current liabilities		75,152	70,594
Non-current liabilities			
Other payables	12	110	22
Contract liabilities		30	159
Deferred tax liabilities		596	1,157
Lease liabilities		403	2,485
		1,139	3,823
NET ASSETS		74,013	66,771
Capital and reserves			
Share capital	13	1,000	1,000
Reserves		73,013	65,771
TOTAL EQUITY		74,013	66,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2021

1. GENERAL

IMS Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 15 February 2017, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is located at Unit 1201, 12th Floor, Block C, Seaview Estate, 8 Watson Road, North Point, Hong Kong.

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

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

(a) Adoption of new/revised HKFRSs

The HKICPA has issued a number of new/revised HKFRSs and amendments to HKFRSs. The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group’s consolidated financial statements:

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform – Phase 1
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021

Except for the amendments to HKFRS 16 mentioned below, the adoption of other amendments to accounting standards has no material impact on the Group’s consolidated financial statements.

Amendments to HKFRS 16: COVID-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current year. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) and therefore the comparative information has not been restated.

The early adoption of the amendment has no impact to the opening retained profits at 1 April 2020. The Group recognised changes in leases payments that resulted from rent concessions of approximately HK\$133,000 as other income in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

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

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

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Annual Improvements to HKFRSs	2018–2020 Cycle ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 1	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ The effective date to be determined

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SEGMENT INFORMATION

Operating segments

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

Geographical information

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

The Group comprises the following major geographical segments:

	Revenue from external customers by customers' location		Specified non-current assets by assets' location	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong (place of domicile)	3,465	4,275	4,757	7,123
The PRC	44,052	30,464	5,553	6,107
Asia (excluding Hong Kong and the PRC)	7,439	24,920	–	–
Europe	227	300	–	–
Others	465	1,465	–	–
	<u>55,648</u>	<u>61,424</u>	<u>10,310</u>	<u>13,230</u>

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	N/A	10,412
Customer B	10,414	N/A
Customer C	<u>7,797</u>	<u>N/A</u>

The revenue from Customer A was less than 10% of the revenue of the Group for the year ended 31 March 2021.

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

Disaggregation of revenue from contracts with customers

	Integrated LED lighting solution services		Sales of LED lighting and fixtures		Sales of visual-audio systems		LED lighting system consultation and maintenance services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical markets										
- Hong Kong (place of domicile)	-	116	1,976	2,665	164	105	1,325	1,389	3,465	4,275
- The PRC	15,662	3,475	26,896	24,679	-	-	1,494	2,310	44,052	30,464
- Asia (excluding Hong Kong and the PRC)	-	-	5,983	23,325	-	-	1,456	1,595	7,439	24,920
- Europe	-	-	181	300	-	-	46	-	227	300
- Others	-	-	465	1,465	-	-	-	-	465	1,465
	<u>15,662</u>	<u>3,591</u>	<u>35,501</u>	<u>52,434</u>	<u>164</u>	<u>105</u>	<u>4,321</u>	<u>5,294</u>	<u>55,648</u>	<u>61,424</u>
Timing of revenue recognition										
- At a point in time	-	-	35,501	52,434	164	105	-	-	35,665	52,539
- Over time	15,662	3,591	-	-	-	-	4,321	5,294	19,983	8,885
	<u>15,662</u>	<u>3,591</u>	<u>35,501</u>	<u>52,434</u>	<u>164</u>	<u>105</u>	<u>4,321</u>	<u>5,294</u>	<u>55,648</u>	<u>61,424</u>

5. REVENUE

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

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Revenue – at a point in time</i>		
Sales of LED lighting and fixtures	35,501	52,434
Sales of visual-audio systems	164	105
<i>Revenue – over time</i>		
LED lighting system consultation and maintenance services	4,321	5,294
Integrated LED lighting solution services	<u>15,662</u>	<u>3,591</u>
	<u>55,648</u>	<u>61,424</u>

6. PROFIT BEFORE INCOME TAX EXPENSES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs		
Interest on lease liabilities	<u>176</u>	<u>217</u>
(b) Other items		
Costs of inventories recognised as expenses	16,923	23,609
Auditor's remuneration		
– Audit-related assurance services	570	500
Depreciation of property, plant and equipment	2,565	743
Amortisation of intangible assets	140	54
Depreciation of right-of-use assets	2,147	1,716
Leases expenses of other premises under short term leases	120	755
Leases expenses of low-value assets	<u>–</u>	<u>15</u>

7. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fees, wages and salaries	21,723	18,296
Post-employment benefits – payment to defined contribution retirement plan	826	628
Other benefits	<u>933</u>	<u>1,128</u>
	<u>23,482</u>	<u>20,052</u>

Employee benefit expenses included an amount of HK\$7,146,000 (2020: HK\$4,625,000) charged to “cost of sales” as labour costs for the year ended 31 March 2021.

8. INCOME TAX EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
PRC enterprise income tax (“EIT”)		
– Current year	294	1,814
– Over provision in respect of prior years	(20)	–
	<u>274</u>	<u>1,814</u>
Withholding tax		
Withholding tax on dividend income from a PRC subsidiary	<u>1,290</u>	<u>55</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(616)</u>	<u>1,171</u>
Income tax expense	<u><u>948</u></u>	<u><u>3,040</u></u>

Hong Kong profits tax

No provision of Hong Kong Profits Tax had been made as the Group’s does not have assessable profit or has tax losses brought forward to set off assessable profit from Hong Kong for the years ended 31 March 2021 and 2020.

PRC EIT

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

One of the PRC subsidiaries complies with the provisions of the Notice on Applying Inclusive Tax Relief Policies to Small and Micro Enterprises (Cai Shui [2019] No. 13), pursuant to which for the period from 1 January 2019 to 31 December 2021, for small and micro enterprises, the portion of annual taxable income not exceeding RMB1,000,000 is subject to a corporate tax rate of 20% on the basis of 25% (further reduce to 12.5% for the period from 1 January 2021 to 31 December 2022) of this portion of its taxable income, and the portion of annual taxable income exceeding RMB1,000,000 but not exceeding RMB3,000,000 is subject to corporate tax rate of 20% on the basis of 50% of this portion of its taxable income.

Withholding 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.

9. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Proposed final dividend of HK\$0.01 (2020: Nil) per share	<u>10,000</u>	<u>–</u>

The final dividend for 2021 proposed after the end of the reporting period is subject to shareholders' approval at the forthcoming annual general meeting. This dividend has not been recognised as liabilities at the end of the reporting period.

10. EARNINGS PER SHARE

(a) Basic

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Numerator		
Profit attributable to owners of the Company	<u>5,429</u>	<u>4,987</u>
	<i>'000 shares</i>	<i>'000 shares</i>
Denominator		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (<i>HK cent</i>)	<u>0.54</u>	<u>0.50</u>

(b) Diluted

Diluted earnings per share is same as basic earnings per share as there was no potential dilutive ordinary shares for the years ended 31 March 2021 and 2020.

11. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables			
From third parties		21,611	10,252
Less: Loss allowance		<u>(7,398)</u>	<u>(6,429)</u>
Trade receivables, net	(a)	<u>14,213</u>	<u>3,823</u>
Other receivables			
Prepayment and deposits		1,790	1,230
Other receivables		<u>74</u>	<u>102</u>
		<u>1,864</u>	<u>1,332</u>
Total trade and other receivables		<u><u>16,077</u></u>	<u><u>5,155</u></u>

Notes:

- (a) The Group generally allows a credit period within 30 (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 aging analysis of trade receivables, net of loss allowance, presented based on the earlier of invoice date or revenue recognition date:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than 1 month	807	536
1 month to 3 months	11,883	1,146
4 months to 6 months	1,247	1,308
More than 6 months but less than one year	<u>276</u>	<u>833</u>
	<u><u>14,213</u></u>	<u><u>3,823</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of the reporting period	6,429	7,191
Loss allowance (Reversal of loss allowance) on trade receivables	741	(575)
Exchange realignment	<u>228</u>	<u>(187)</u>
At the end of the reporting period	<u><u>7,398</u></u>	<u><u>6,429</u></u>

12. TRADE AND OTHER PAYABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<i>(a)</i>	<u>6,184</u>	<u>4,708</u>
Other payables			
Provision of warranties		385	117
Staff cost payables		1,106	335
Other tax payables		1,461	–
Other payables and accruals		<u>896</u>	<u>660</u>
		<u>3,848</u>	<u>1,112</u>
Total trade and other payables		<u>10,032</u>	<u>5,820</u>
Less: Non-current portion			
Provision of warranties		<u>(110)</u>	<u>(22)</u>
Current portion		<u>9,922</u>	<u>5,798</u>

Notes:

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current or less than 1 month	502	545
1 month to 3 months	2,377	363
4 months to 6 months	815	709
7 months to 12 months	1,710	3,078
More than one year	<u>780</u>	<u>13</u>
	<u>6,184</u>	<u>4,708</u>

13. SHARE CAPITAL

	2021		2020	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.001 each	<u>10,000,000,000</u>	<u>10,000</u>	<u>10,000,000,000</u>	<u>10,000</u>
Issued and fully paid:				
At 1 April and 31 March	<u>1,000,000,000</u>	<u>1,000</u>	<u>1,000,000,000</u>	<u>1,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in provision of LED lighting fixtures and integrated LED lighting solution services for retail stores of world-renowned luxury brands mainly in the Asia market.

For the year ended 31 March 2021, the Group recorded revenue of approximately HK\$55.6 million and profit attributable to the owners of the Company of approximately HK\$5.4 million, as compared to revenue of approximately HK\$61.4 million and profit attributable to owners of the Company of approximately HK\$5.0 million for the year ended 31 March 2020. The Group considers the decrease in revenue was mainly caused by a decrease in revenue from sales of LED lighting fixtures. As for the increase in profit attributable to owners of the Company, it was mainly due to the decrease in administrative expenses and income tax expenses for the year ended 31 March 2021.

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

Revenue sources	For the year ended 31 March			
	2021		2020	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>%</i>
Sales of LED lighting fixtures	35.5	63.9	52.4	85.3
Integrated LED lighting solution services	15.7	28.2	3.6	5.9
LED lighting system consultation and maintenance services	4.3	7.7	5.3	8.6
Sales of visual-audio systems	0.1	0.2	0.1	0.2
	<u>55.6</u>	<u>100.0</u>	<u>61.4</u>	<u>100.0</u>

Sales of LED lighting fixtures

Our revenue generated from sales of LED lighting fixtures has decreased from approximately HK\$52.4 million for the year ended 31 March 2020 to approximately HK\$35.5 million for the year ended 31 March 2021, representing a decrease of approximately 32.3% in this segment. The decrease was mainly due to the clients' decrease of budget for their projects in response to the COVID-19 situation.

Integrated LED lighting solution services

Our revenue generated from integrated LED lighting solution services has increased from approximately HK\$3.6 million for the year ended 31 March 2020 to approximately HK\$15.7 million for the year ended 31 March 2021, representing an increase of approximately 336.1%. The increase was mainly due to the increase in the facade project in the People's Republic of China (the "PRC") during the year.

LED lighting system consultation and maintenance service

Our revenue generated from LED lighting system consultation and maintenance service has decreased from approximately HK\$5.3 million for the year ended 31 March 2020 to approximately HK\$4.3 million for the year ended 31 March 2021, representing a decrease of approximately 18.9%. The decrease was mainly due to travel restrictions under COVID-19 situation which our staff cannot perform overseas maintenance services.

Sales of visual-audio systems

Our sales of visual-audio systems has remained at approximately HK\$0.1 million for the year ended 31 March 2021 (2020: approximately HK\$0.1 million).

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$61.4 million for the year ended 31 March 2020 by approximately HK\$5.8 million or 9.4%, to approximately HK\$55.6 million for the year ended 31 March 2021. The decrease was mainly due to the decrease in revenue from sales of LED lighting fixtures.

Cost of Sales

Our cost of sales decreased from approximately HK\$28.7 million for the year ended 31 March 2020 by approximately HK\$1.4 million or 4.9%, to approximately HK\$27.3 million for the year ended 31 March 2021. The decrease was in line with the decrease in revenue.

Gross Profit

With the impact of the above factors, gross profit decreased from approximately HK\$32.7 million for the year ended 31 March 2020 by approximately HK\$4.4 million or 13.5%, to approximately HK\$28.3 million for the year ended 31 March 2021. However, the gross profit margin decreased from approximately 53.2% for the year ended 31 March 2020 by approximately 2.3%, to approximately 50.9% for the year ended 31 March 2021.

Other Income and Other Gains and Losses, Net

Our other income and other gains and losses increased from approximately HK\$0.6 million for the year ended 31 March 2020 by approximately HK\$2.2 million or 366.7% to HK\$2.8 million for the year ended 31 March 2021. The increase was mainly due to the increase in government grants of approximately HK\$2.1 million generated during the year ended 31 March 2021.

Administrative Expenses

Administrative expenses decreased from approximately HK\$25.6 million for the year ended 31 March 2020 by approximately HK\$1.7 million or 6.6%, to approximately HK\$23.9 million for the year ended 31 March 2021. The decrease in administrative expenses was mainly due to the decrease in legal and professional fees for compliance purpose of approximately HK\$1.3 million and overseas travelling expenses of approximately HK\$0.9 million for the year ended 31 March 2021.

Loss Allowance / Reversal of Loss Allowance on Trade Receivables

The provision of loss allowance of approximately HK\$0.7 million (2020: reversal of loss allowance of approximately HK\$0.6 million) was recognised for the year ended 31 March 2021.

Finance Costs

Finance costs representing the interest on lease liabilities in relation to office premises, manufacturing centre and staff accommodation was approximately HK\$0.2 million for the year ended 31 March 2021 (2020: approximately HK\$0.2 million).

Income Tax Expense

Profit before income tax expenses has decreased from approximately HK\$8.0 million for the year ended 31 March 2020 by approximately HK\$1.6 million or 20.0%, to approximately HK\$6.4 million for the year ended 31 March 2021 due to the decrease in gross profit for the year ended 31 March 2021. The income tax expenses decreased from approximately HK\$3.0 million for the year ended 31 March 2020 by approximately HK\$2.1 million or 70.0%, to approximately HK\$0.9 million for the year ended 31 March 2021. It is because the Group has better income tax planning between the PRC subsidiaries and Hong Kong subsidiaries and certain Hong Kong subsidiaries had tax losses brought forward to offset the current year assessable profits.

Profit for the year

The Group recorded a profit of approximately HK\$5.4 million attributable to owners of the Company for the year ended 31 March 2021 compared to the profit of approximately HK\$5.0 million attributable to owners of the Company for the year ended 31 March 2020. The increase in profit is mainly due to the decrease in administrative expenses and income tax expense.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK\$0.01 per ordinary share (2020: nil) for the year ended 31 March 2021 to shareholders of the Company (“**Shareholders**”) whose names appear on the register of members of the Company on Friday, 3 September 2021. Subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (“**AGM**”), the final dividend is expected to be paid on or around Wednesday, 15 September 2021.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Monday, 23 August 2021 will be eligible to attend and, in relation to holders of Shares, to vote at the forthcoming AGM which will be held on Monday 23 August 2021. The register of members will be closed from Wednesday, 18 August 2021 to Monday, 23 August 2021 (both days inclusive), during which period no transfer of Shares will be effected. To qualify for attending the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong ("**Boardroom**") no later than 4:30 p.m. on Tuesday, 17 August 2021.

The record date for the proposed final dividend is Friday, 3 September 2021. The Company's register of members will be closed from Tuesday, 31 August 2021 to Friday, 3 September 2021 (both days inclusive) in order to determine entitlements to the proposed final dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Boardroom for registration no later than 4:30 p.m. on Monday, 30 August 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations primarily through cash generated from operating activities. As at 31 March 2021, it did not have any bank borrowings.

Liquidity ratios

	For the year ended 31 March 2021	For the year ended 31 March 2020
Current ratio	4.6	5.6
Quick ratio	4.4	5.6

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

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

The decrease in both current ratio and quick ratio was mainly due to more working capital used in a new subsidiary in the PRC during the year.

Cash and bank balances

As at 31 March 2021, the currency denomination of the Group's cash and bank balances and fixed time deposits are as follows:

Currency denomination	2021 <i>HK\$ million</i>	2020 <i>HK\$ million</i>
Denominated in:		
HKD	52.4	30.7
RMB	10.5	32.6
EUR	–⁽¹⁾	–⁽¹⁾
USD	–⁽²⁾	–
	<hr/> 62.9 <hr/>	<hr/> 63.3 <hr/>

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

(2) Represents amount less than HK\$10,000.

Net current assets

As at 31 March 2021, the Group had net current assets of approximately HK\$64.8 million (2020: approximately HK\$57.4 million).

Total equity

The equity of the Group mainly comprises share capital, share premium and reserves. The Group's total equity attributable to owners of the Company amounted to approximately HK\$74.0 million (2020: approximately HK\$66.8 million).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 March 2021 and up to the date of this announcement.

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

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

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

PLEDGE OF ASSETS

As at 31 March 2021, the Group did not pledge any of its assets (2020: nil).

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any contingent liabilities (2020: nil).

CAPITAL EXPENDITURE

During the year, the Group acquired items of property, plant and equipment of approximately HK\$1,226,000 (2020: approximately HK\$8,602,000) and intangible assets of approximately HK\$44,000 (2020: approximately HK\$420,000).

CAPITAL COMMITMENT

As at 31 March 2021, the Group had capital commitment of approximately HK\$0.8 million (2020: approximately HK\$1.0 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, including our executive Directors, the Group had a total of 65 (as at 31 March 2020: 42) employees, of which 37 employees were in Hong Kong and 28 employees were in the PRC.

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

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

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

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

The Group did not have any significant investment as at 31 March 2021 (2020: nil). The Group did not have any material acquisition and disposal of subsidiary or affiliated company during the year ended 31 March 2021 (2020: nil).

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

Up to 31 March 2021, we utilised 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) <i>HK\$' million</i>	Unutilised	Unutilised	Unutilised	Unutilised	Unutilised	Expected date to fully utilise the unutilised amount
		amount as at 31 March 2019 <i>HK\$' million</i>	amount as at 30 September 2019 <i>HK\$' million</i>	amount as at 31 March 2020 <i>HK\$' million</i>	amount as at 30 September 2020 <i>HK\$' million</i>	amount as at 31 March 2021 <i>HK\$' million</i>	
Setting up a factory							
– Rental of factory and staff quarters	2.0	2.0	1.8	1.7	1.4	1.1	31 March 2022
– Operating expense including staff costs	3.9	3.9	3.9	3.0	1.7	Nil	N/A
– Purchasing computer numeric control machines, 3D printer and testing equipment	3.7	3.7	2.7	0.3	Nil	Nil	N/A
– Capital expenditure including renovation and purchasing furniture and equipment	1.0	1.0	Nil	Nil	Nil	Nil	N/A
Subtotal	10.6	10.6	8.4	5.0	3.1	1.1	31 March 2022
Recruiting high calibre staff	4.3	3.8	3.3	2.8	2.3	1.7	31 March 2022
Pursuing suitable acquisitions	13.0	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	1.6	31 March 2022
Expanding and upgrading the infrastructure of our workshop and office	1.9	1.8	0.2	Nil	Nil	Nil	N/A
Working capital and general corporate purpose	1.2	Nil	Nil	Nil	Nil	Nil	N/A
Total	34.7	31.9	27.4	23.1	20.4	17.4	

As at 31 March 2021, the remaining amount of approximately HK\$17.4 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, 30 September 2020 and 31 March 2021 were nil, approximately HK\$2.2 million, HK\$5.6 million, HK\$7.5 million and HK\$9.5 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 were 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, 30 September 2020 and 31 March 2021 were approximately HK\$0.5 million, HK\$1.0 million, HK\$1.5 million, HK\$2.0 million and HK\$2.6 million respectively. The actual used amount was less than the planned use amount during the relevant period primarily because the Group has taken a longer time than expected to recruit these high calibre staff as more time was required to seek suitable candidates and thus delayed the staff costs incurred.

The Group has employed a business development manager to take up the duties of sales coordinator during the year.

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.

Pursuing suitable acquisitions

Up to 31 March 2021, 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 continuing US-China trade frictions and the outbreak of COVID-19, the Group continued to adopt 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, challenges and expenses that could arise from integrating with the acquisition target(s) and sustainability of the business.

Enhancing our ERP system

Up to 31 March 2021, approximately HK\$1.6 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 announcement. 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.

EVENTS AFTER REPORTING PERIOD

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

FUTURE DEVELOPMENT AND OUTLOOK

Our goal is to be one of the leading LED lighting solutions providers in Asia. The shares of the Company were successfully listed on GEM of the Stock Exchange of Hong Kong Limited on 25 January 2018. The net proceeds from the share offer enables us to have sufficient financial resources to broaden our customer bases and achieve cost savings through setup of our own factory.

In addition, Asia (especially the PRC) is still the rising engine of the global economy. We expect that there will be rising domestic demand from luxury renowned brands. However, the outbreak of the COVID-19 in early 2020 has severely affected the overall economic activities globally. The impact faced by our Group mainly includes transportation restrictions. 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.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2021 and up to the date of this announcement. During the year ended 31 March 2021, the Directors considered that the Company has complied with the CG Code except for the deviations from code provision A.2.1 of the CG code, the details of which are set out below.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding Directors’ securities transactions adopted by the Company during the year ended 31 March 2021.

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

The Directors confirm that during the year ended 31 March 2021 and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

SHARE OPTION SCHEME

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

As at the date of this announcement, the Audit Committee of our Company consists of three members who are Mr. Li Chun Hung, Mr. Ha Yiu Wing and Dr. Wilson Lee. Mr. Li Chun Hung is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2021.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

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

Hong Kong, 21 June 2021

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

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

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