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## **GRAND BRILLIANCE GROUP HOLDINGS LIMITED**

**君百延集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8372)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “HONG KONG 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 Hong Kong 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, 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 Hong Kong 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 Grand Brilliance 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 Hong Kong Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading and deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## INTERIM RESULTS

The board of the Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2019*

|   |       | For the six months ended<br>30 September |                         |
|---|-------|--|-------------------------|
|   |       | 2019                                     | 2018                    |
|   | Notes | HK\$'000<br>(Unaudited)                  | HK\$'000<br>(Unaudited) |
| <b>Revenue</b>  | 4     | <b>32,001</b>                            | 28,004                  |
| Cost of revenue   |       | <u>(15,115)</u>                          | <u>(11,980)</u>         |
| <b>Gross profit</b>   |       | <b>16,886</b>                            | 16,024                  |
| Other income  |       | <b>530</b>                               | 364                     |
| Other gains or losses   |       | <b>19</b>                                | –                       |
| Distribution and selling expenses   |       | <b>(529)</b>                             | (473)                   |
| Administrative and other operating expenses   |       | <b>(11,045)</b>                          | (9,301)                 |
| Finance costs   | 5     | <u><b>(104)</b></u>                      | <u>–</u>                |
| <b>Profit before income tax</b>   | 6     | <b>5,757</b>                             | 6,614                   |
| Income tax expense  | 7     | <u><b>(1,174)</b></u>                    | <u>(1,221)</u>          |
| <b>Profit and total comprehensive<br/>income for the period attributable<br/>to owners of the company</b> |       | <u><b>4,583</b></u>                      | <u>5,393</u>            |
|   |       | <i>HK cent</i>                           | <i>HK cent</i>          |
| <b>Earnings per share attributable to<br/>owners of the Company</b>                                       |       |  |                         |
| Basic and diluted earnings per share  | 9     | <u><b>0.57</b></u>                       | <u>0.67</u>             |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |              | As at<br>30 September<br>2019<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 March<br>2019<br><i>HK\$'000</i><br>(Audited) |
|--|--------------|---|---|
|  | <i>Notes</i> |   |   |
| <b>ASSETS AND LIABILITIES</b>                                    |              |   |   |
| <b>Non-current assets</b>  |              |   |   |
| Property, plant and equipment                                    | 10           | 1,745   | 2,056   |
| Contract costs   | 11           | 1,833   | –   |
| Other asset  |              | 2,690   | 2,690   |
| Financial asset measured at fair value<br>through profit or loss |              | 820   | 820   |
| Long-term deposit  |              | 417   | 417   |
| Right-of-use asset   |              | 1,024   | –   |
|  |              | 8,529   | 5,983   |
| <b>Current assets</b>  |              |   |   |
| Inventories  |              | 16,878  | 16,829  |
| Trade and other receivables,<br>deposits and prepayments         | 12           | 10,767  | 10,759  |
| Tax recoverable  |              | –   | 644   |
| Cash and bank balances   |              | 62,894  | 56,973  |
|  |              | 90,539  | 85,205  |
| <b>Current liabilities</b>                                       |              |   |   |
| Trade and other payables   | 13           | 10,706  | 9,763   |
| Contract liabilities   | 11           | 81  | 229   |
| Dividend payable   |              | 3,500   | –   |
| Lease liabilities  |              | 1,016   | –   |
| Tax Payable  |              | 553   | –   |
|  |              | 15,856  | 9,992   |
| <b>Net current assets</b>  |              | 74,683  | 75,213  |
| <b>Total assets less current liabilities</b>                     |              | 83,212  | 81,196  |
| <b>Non-current liabilities</b>                                   |              |   |   |
| Deferred tax liabilities   |              | 61  | 84  |
| <b>Net assets</b>  |              | 83,151  | 81,112  |
| <b>CAPITAL AND RESERVES</b>                                      |              |   |   |
| Share capital  | 14           | 8,000   | 8,000   |
| Reserves   |              | 75,151  | 73,112  |
| <b>Total equity</b>  |              | 83,151  | 81,112  |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2019*

|  | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Merger<br>reserve<br><i>HK\$'000</i> | Available-<br>for-sale<br>financial<br>assets<br>revaluation<br>reserve<br><i>HK\$'000</i> | Share<br>option<br>reserve<br><i>HK\$'000</i> | Retained<br>earnings<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|--------------------------------------|--|---|---|--------------------------|
| <b>At 1 April 2018 (audited)</b>   | 8,000                               | 52,499                              | 1,500                                | 205  | –   | 12,387                                  | 74,591                   |
| Initial application of Hong Kong<br>Financial Reporting<br>Standards (“HKFRS”) 9 | –                                   | –                                   | –                                    | (205)  | –   | 118                                     | (87)                     |
| <b>Restated balance at<br/>1 April 2018</b>                                      | 8,000                               | 52,499                              | 1,500                                | –  | –   | 12,505                                  | 74,504                   |
| Profit and total comprehensive<br>income for the period                          | –                                   | –                                   | –                                    | –  | –   | 5,393                                   | 5,393                    |
| <b>At 30 September 2018<br/>(unaudited)</b>                                      | <u>8,000</u>                        | <u>52,499</u>                       | <u>1,500</u>                         | <u>–</u>   | <u>–</u>                                      | <u>17,898</u>                           | <u>79,897</u>            |
| <b>At 1 April 2019 (audited)</b>   | <b>8,000</b>                        | <b>52,499</b>                       | <b>1,500</b>                         | –  | –   | <b>19,113</b>                           | <b>81,112</b>            |
| Profit and total comprehensive<br>income for the period                          | –                                   | –                                   | –                                    | –  | –   | 4,583                                   | 4,583                    |
| Recognition of equity-settled<br>share-based payment                             | –                                   | –                                   | –                                    | –  | 956   | –                                       | 956                      |
| Dividend declared ( <i>Note 8</i> )  | –                                   | –                                   | –                                    | –  | –   | (3,500)                                 | (3,500)                  |
| <b>At 30 September 2019<br/>(unaudited)</b>                                      | <u><b>8,000</b></u>                 | <u><b>52,499</b></u>                | <u><b>1,500</b></u>                  | <u><b>–</b></u>  | <u><b>956</b></u>                             | <u><b>20,196</b></u>                    | <u><b>83,151</b></u>     |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

|   | For the six months ended |                      |
|---|--------------------------|----------------------|
|   | 30 September             |                      |
|   | 2019                     | 2018                 |
|   | HK\$'000                 | HK\$'000             |
|   | (Unaudited)              | (Unaudited)          |
| <b>Net cash generated from/(used in) operating activities</b> | <b>8,623</b>             | (3,435)              |
| <b>Cash flows from/(used in) investing activities</b>         |                          |                      |
| Payment for purchase of property, plant and equipment         | (160)                    | (1,496)              |
| Proceeds from sale of property, plant and equipment           | –                        | 20                   |
| Interest received   | 488                      | 243                  |
|   | <hr/>                    | <hr/>                |
| <b>Net cash from/(used in) investing activities</b>           | <b>328</b>               | (1,233)              |
| <b>Net cash generated from financing activities</b>           | <hr/> <b>–</b> <hr/>     | <hr/> <b>–</b> <hr/> |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   | <b>8,951</b>             | (4,668)              |
| <b>Cash and cash equivalents at beginning of the period</b>   | <b>53,943</b>            | 58,037               |
|   | <hr/>                    | <hr/>                |
| <b>Cash and cash equivalents at end of the period</b>         | <b>62,894</b>            | 53,369               |
|   | <hr/> <hr/>              | <hr/> <hr/>          |
| <b>Analysis of the balance of cash and cash equivalents</b>   |                          |                      |
| Cash at bank and on hand                                      | 62,894                   | 56,399               |
| Pledged bank deposit  | –                        | (3,030)              |
|   | <hr/>                    | <hr/>                |
|   | <b>62,894</b>            | 53,369               |
|   | <hr/> <hr/>              | <hr/> <hr/>          |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2019*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law, Cap. 22 of the Cayman Islands on 5 July 2017. Its shares have been listed on GEM of The Hong Kong Stock Exchange on 29 March 2018 (the “Listing”). The address of the Company’s registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is situated at Units 2901–03 and 2905, 29/F, The Octagon, 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in supplying medical devices and providing medical device solutions including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical devices leasing services and quality assurance.

The Company’s parent is B&A Success Limited (“B&A Success”), a company incorporated in the British Virgin Islands. In the opinion of the Directors, B&A Success is also the ultimate parent of the Company.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Group.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with 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, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2019.

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values.

### (a) Adoption of new/revised HKFRSs

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated financial statements are consistent with those of the Group as set out in the annual report of the Group for the year ended 31 March 2019, except for the adoption of the new/revised HKFRSs which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 April 2019 as described below:

|                       |  |
|-----------------------|--|
| HKFRS 16              | Leases   |
| HK(IFRIC)-Int 23      | Uncertainty over Income Tax Treatments               |
| Amendments to HKAS 19 | Plan Amendments, Curtailment or Settlement           |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation       |
| Amendments to HKFRSs  | Annual Improvement to HKFRSs 2015–2017 Cycle         |

Except as described below, the application of the other new/revised HKFRSs in the current period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

## ***HKFRS 16 — Leases***

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Groups are the lessor.

The Groups adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

### *New definition of a lease*

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Groups elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Groups allocate the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Groups have adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

### *As a lessee — Leases previously classified as operating leases*

#### Nature of the effect of adoption of HKFRS 16

The Groups have lease contracts mainly for properties. As a lessee, the Groups previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Groups. Under HKFRS 16, the Groups apply a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Groups have elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Groups recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Groups elected to present the right-of-use assets separately in the statement of financial position.

The Groups have used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$2,342,000 and right-of-use assets of HK\$2,342,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.1275%.

|   | <i>HK\$'000</i>     |
|---|---------------------|
| Operating lease commitments disclosed as at 31 March 2019                   | 2,492               |
| Discounted using the Group's weighted average incremental borrowing rate of | <u>(150)</u>        |
| Lease liabilities recognised as at 1 April 2019                             | <u><u>2,342</u></u> |

All right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the unaudited condensed consolidated statement of financial position as at 31 March 2019. The impact on transition is summarised as below.

|                               | <i>HK\$'000</i>     |
|-------------------------------|---------------------|
| Rights-of-use assets          | <u><u>2,342</u></u> |
| Lease liabilities             | <u><u>2,342</u></u> |
| Analysed as                   |                     |
| Current lease liabilities     | 2,027               |
| Non-current lease liabilities | <u>315</u>          |
|                               | <u><u>2,342</u></u> |

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

A number of new/revised HKFRSs have not come into effect for the financial year beginning 1 April 2019, and have not been early adopted by the Group in the preparation of the condensed consolidated financial statements. None of these are expected to have a significant effect on the condensed consolidated financial statements of the Group based on the preliminary assessment made by management.

The condensed consolidated financial statements for the six months ended 30 September 2019 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company (the "Audit Committee").

### 3. SEGMENT INFORMATION

#### (a) Operating segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker, i.e. directors of the Company who are used to make strategic decisions.

During the reporting periods, the directors assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily engaged in supplying medical devices and providing medical device solutions including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical devices leasing services and quality assurance. Therefore the Group has only one operating segment that qualifies as reportable segment under HKFRS 8 Operating Segment.

#### (b) Geographical segment information

The Company is an investment holding company and the principal place of the Group's operations is in Hong Kong. Accordingly, management determines that the Group is domiciled in Hong Kong. All of the Group's revenue are derived from and most of the Group's non-current assets are located in Hong Kong. Accordingly, no separate segmental analysis is presented.

#### (c) Disaggregation of revenue from contracts with customers

|                                      | For the six months ended |                      |
|--------------------------------------|--------------------------|----------------------|
|                                      | 30 September             |                      |
|                                      | 2019                     | 2018                 |
|                                      | HK\$'000                 | HK\$'000             |
|                                      | (Unaudited)              | (Unaudited)          |
| <b>Timing of revenue recognition</b> |                          |                      |
| Over time                            | 1,159                    | 1,050                |
| At a point in time                   | <u>30,842</u>            | <u>26,954</u>        |
|                                      | <u><u>32,001</u></u>     | <u><u>28,004</u></u> |

#### (d) Information about major customers

For the six months ended 30 September 2019 and 2018, no revenue from a single customer accounted for 10% or above of the total revenue of the Group.

#### 4. REVENUE

Revenue derived from the principal activities comprises the following:

|  | For the six months ended<br>30 September |             |
|--|--|-------------|
|  | 2019                                     | 2018        |
|  | HK\$'000                                 | HK\$'000    |
|  | (Unaudited)                              | (Unaudited) |
| Revenue from contracts with customer within the scope of HKFRS 15: |  |             |
| Sales of medical devices and products                              |  |             |
| Medical consumables  | 23,191                                   | 19,331      |
| Medical equipment  | 7,006                                    | 6,920       |
| Medical instruments  | 645                                      | 696         |
| Others   | –  | 7           |
|  | <b>30,842</b>                            | 26,954      |
| Rendering of maintenance services                                  | <b>1,080</b>                             | 969         |
|  | <b>31,922</b>                            | 27,923      |
| Revenue from other source:   |  |             |
| Rental income from leasing medical devices                         | <b>79</b>                                | 81          |
|  | <b>32,001</b>                            | 28,004      |

#### 5. FINANCE COSTS

|  | For the six months ended<br>30 September |             |
|--|--|-------------|
|  | 2019                                     | 2018        |
|  | HK\$'000                                 | HK\$'000    |
|  | (Unaudited)                              | (Unaudited) |
| Interest expenses on lease liabilities | <b>104</b>                               | –           |
|  | <b>104</b>                               | –           |

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

|   | <b>For the six months ended</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>30 September</b>             |                 |
|   | <b>2019</b>                     | 2018            |
|   | <i>HK\$'000</i>                 | <i>HK\$'000</i> |
|   | <b>(Unaudited)</b>              | (Unaudited)     |
| Reversal of loss allowance for trade receivables        | <b>(19)</b>                     | –               |
| Cost of inventories recognised as expense <sup>#</sup>  |                                 |                 |
| — Carrying amount of inventories consumed               | <b>14,071</b>                   | 11,220          |
| — Allowance for inventories                             | <b>129</b>                      | 111             |
| — Write-off of inventories                              | <b>106</b>                      | 47              |
|   | <b>14,306</b>                   | 11,378          |
| Depreciation of property, plant and equipment           | <b>471</b>                      | 443             |
| Depreciation of right-of-use assets                     | <b>1,319</b>                    | –               |
| Employee costs (including directors' emoluments)        |                                 |                 |
| — Salaries, allowances and other benefits               | <b>6,231</b>                    | 5,143           |
| — Equity-settled share-based payment expenses           | <b>956</b>                      | –               |
| — Contributions to defined contribution retirement plan | <b>192</b>                      | 151             |
|   | <b>7,379</b>                    | 5,294           |
| Bank interest income                                    | <b>(488)</b>                    | (243)           |
| Exchange difference, net                                | <b>183</b>                      | 83              |
| Operating lease charges in respect of properties        | <b>326</b>                      | 1,468           |
| Research and development expenditure <sup>^</sup>       | <b>305</b>                      | 238             |

<sup>#</sup> Included in cost of revenue

<sup>^</sup> Included in research and development expenditure are staff costs amounted to approximately HK\$293,000 for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$ 235,000) which have been included in the employee costs above.

## 7. INCOME TAX EXPENSE

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

|  | <b>For the six months ended</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>30 September</b>             |                    |
|  | <b>2019</b>                     | <b>2018</b>        |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|  | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Current tax for the period               |                                 |                    |
| — Hong Kong Profits Tax                  | <b>1,197</b>                    | 1,107              |
| Over-provision in respect of prior years | <b>—</b>                        | (14)               |
|  | <b>1,197</b>                    | 1,093              |
| Deferred tax                             | <b>(23)</b>                     | 128                |
|  | <b>1,174</b>                    | 1,221              |

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 gazetted on the following day.

Two-tiered profits tax rate applies to years of assessment commencing on or after 1 April 2018. Under the regime, the first HK\$2 million of the estimated assessable profits of qualifying corporation will be taxed at 8.25%, and the estimated assessable profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime was applicable to the Group for the six months period ended 30 September 2019.

For the six months period ended 30 September 2018, Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits.

## 8. DIVIDENDS

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

|  | <b>For the six months ended<br/>30 September</b> |                    |
|--|--|--------------------|
|  | <b>2019</b>                                      | <b>2018</b>        |
|  | <b>HK\$'000</b>                                  | <b>HK\$'000</b>    |
|  | <b>(Unaudited)</b>                               | <b>(Unaudited)</b> |
| Interim dividend for the year ended 31 March 2019 of<br>HK cent 0.4375 per share (2018: Nil) | <b>3,500,000</b>                                 | –                  |

*Note:*

The Board of the Company announced on 20 September 2019 that the Board has resolved that instead of paying the proposed final dividend of HK\$0.1250 cents per Share of the Company and a special dividend of HK\$0.3125 cents per Share for the year ended 31 March 2019 as disclosed in the result announcement on 21 June 2019, the Company would pay an interim dividend of HK\$0.4375 cents per Share for the year ended 31 March 2019. The total amount of the dividend per Share to be received by shareholders of the Company will remain unchanged, despite the reclassification of the dividend described above. Such reclassification is called for due to an unintentional oversight in that the resolution approving the final and special dividend was not put to the vote at the annual general meeting held on 18 September 2019. The interim dividend of HK\$0.4375 cents per Share was paid on Monday, 21 October 2019 to the Shareholders whose names appear on the register of members of the Company on Monday, 30 September 2019.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the following data:

|  | <b>For the six months ended<br/>30 September</b> |                    |
|--|--|--------------------|
|  | <b>2019</b>                                      | <b>2018</b>        |
|  | <b>HK\$'000</b>                                  | <b>HK\$'000</b>    |
|  | <b>(Unaudited)</b>                               | <b>(Unaudited)</b> |
| <b>Earnings</b>  |  |                    |
| Profit for the period attributable to owners of the Company  | <b>4,583</b>                                     | 5,393              |
|  | <b>'000</b>                                      | <b>'000</b>        |
| <b>Number of shares</b>  |  |                    |
| Weighted average number of ordinary shares in issue for<br>the purpose of calculating basic earnings per share | <b>800,000</b>                                   | 800,000            |

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately HK\$4,583,000 (six months ended 30 September 2018: approximately HK\$5,393,000) and on the weighted average number of 800,000,000 (six months ended 30 September 2018: 800,000,000) ordinary shares in issue during the period.

Diluted earnings per share are the same as the basic earnings per share, as the Group's share options would result in an anti-dilutive effect on earnings per share for the six months ended 30 September 2019 and there was no dilutive potential ordinary shares in existence during the six months ended 30 September 2018.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment with a cost of approximately HK\$160,000 (six months ended 30 September 2018: approximately HK\$1,496,000).

During the six months ended 30 September 2019, no property, plant and equipment was disposed by the Group (six months ended 30 September 2018: disposal of property, plant and equipment with a net book value of nil, which had a gain on disposal of HK\$20,000).

## 11. CONTRACT COSTS AND CONTRACT LIABILITIES

### (a) Contract costs

|   | As at<br>30 September<br>2019<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 March<br>2019<br><i>HK\$'000</i><br>(Audited) |
|---|---|---|
| <b>Contract costs</b>   |   |   |
| Arising from performance under made-to-order pharmacy automation system | <u>1,833</u>  | <u>–</u>  |

Contract costs capitalised as at 30 September 2019 related to the incremental costs paid and direct costs incurred during the reporting period. The supply of pharmacy automation system is entered into during the ordinary course of business of the Group.

The Group has not yet recognised any revenue during the period of the above contract.

### (b) Contract liabilities

|   | As at<br>30 September<br>2019<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 March<br>2019<br><i>HK\$'000</i><br>(Audited) |
|---|---|---|
| <b>Contract liabilities</b>                           |   |   |
| Billings in advance of maintenance services contracts | <u>81</u>   | <u>229</u>  |

The amount of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period is HK\$227,000.

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|  | As at<br>30 September<br>2019<br><i>HK\$'000</i><br>(Unaudited) | As at<br>31 March<br>2019<br><i>HK\$'000</i><br>(Audited) |
|--|---|---|
| Trade receivables                      | 9,881   | 10,659  |
| Less: Provision for impairment         | <u>(1,478)</u>  | <u>(1,497)</u>  |
| Trade receivables, net ( <i>note</i> ) | 8,403   | 9,162   |
| Other receivables                      | 253   | 122   |
| Deposits and prepayments               | <u>2,111</u>  | <u>1,475</u>  |
|  | <u><u>10,767</u></u>  | <u><u>10,759</u></u>                                      |

*Note:*

The credit period granted to trade debtors ranged from 0 to 30 days.

As at 30 September 2019, trade receivables of HK\$1,478,000 (31 March 2019: HK\$1,497,000) were impaired and full provision has been made for the balances.

As at 30 September 2019 and 31 March 2019, the allowance for impairment has been recognised for trade receivables in accordance with the simplified approach, i.e. lifetime ECLs set out in HKFRS 9. The movements in loss allowance of trade receivables during the six months period ended 30 September 2019 are as below:

|  | Allowance for<br>impairment<br>under<br>HKFRS 9<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--------------------------|
| As at 1 April 2019                                     | 1,497  | 1,497                    |
| Reversal of allowance for impairment during the period | <u>(19)</u>  | <u>(19)</u>              |
| As at 30 September 2019                                | <u><u>1,478</u></u>  | <u><u>1,478</u></u>      |

There were no movements in the allowance of trade receivables for the six months period ended 30 September 2018.

The ageing analysis of the trade receivables (net), based on invoice date, as of the end of the reporting period is as follows:

|              | <b>As at<br/>30 September<br/>2019<br/><i>HK\$'000</i><br/>(Unaudited)</b> | <b>As at<br/>31 March<br/>2019<br/><i>HK\$'000</i><br/>(Audited)</b> |
|--------------|--|--|
| 0–30 days    | 4,097  | 5,862  |
| 31–60 days   | 3,156  | 1,970  |
| 61–90 days   | 493  | 896  |
| Over 90 days | 657  | 434  |
|              | <u>8,403</u>   | <u>9,162</u>   |

### 13. TRADE AND OTHER PAYABLES

|                             | <b>As at<br/>30 September<br/>2019<br/><i>HK\$'000</i><br/>(Unaudited)</b> | <b>As at<br/>31 March<br/>2019<br/><i>HK\$'000</i><br/>(Audited)</b> |
|-----------------------------|--|--|
| Trade payables              | 3,630  | 7,358  |
| Accruals and other payables | 1,150  | 2,146  |
| Deposits received           | 5,926  | 259  |
|                             | <u>10,706</u>  | <u>9,763</u>   |

The credit period granted by suppliers ranged from 0 to 90 days.

The ageing analysis of the trade payables, based on invoice date, as of the end of the reporting period is as follows:

|              | <b>As at<br/>30 September<br/>2019<br/><i>HK\$'000</i><br/>(Unaudited)</b> | <b>As at<br/>31 March<br/>2019<br/><i>HK\$'000</i><br/>(Audited)</b> |
|--------------|--|--|
| 0–30 days    | 1,482  | 5,499  |
| 31–60 days   | 1,396  | 1,146  |
| 61–90 days   | –  | –  |
| Over 90 days | 752  | 713  |
|              | <u>3,630</u>   | <u>7,358</u>   |

## 14. SHARE CAPITAL

| Ordinary shares of HK\$0.01 each       | Number of<br>shares | Amount<br>HK\$'000 |
|--|---------------------|--------------------|
| <b>Authorised:</b>                     |                     |                    |
| At 31 March 2019 and 30 September 2019 | 8,000,000,000       | 80,000             |
| <b>Issued and fully paid:</b>          |                     |                    |
| At 31 March 2019 and 30 September 2019 | 800,000,000         | 8,000              |

## 15. SHARE BASED PAYMENT TRANSACTIONS

Details of Share Options and their movements during the period ended 30 September 2019 are as follows:

|  | Date of<br>Grant | Exercise<br>price per<br>Share<br>HK\$ | Number of Shares issuable under the options |                                 |                                   |                                   |                                   |                                      | as at<br>30/09/<br>2019 | Exercise<br>period |
|--|------------------|--|---|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|-------------------------|--------------------|
|  |                  |  | as at<br>01/04/<br>2019                     | granted<br>during the<br>period | exercised<br>during the<br>period | forfeited<br>during the<br>period | cancelled<br>during the<br>period | reclassified<br>during<br>the period |                         |                    |
| <b>Directors</b>   |                  |  |   |                                 |                                   |                                   |                                   |                                      |                         |                    |
| Ms. Wong Bik Kwan Bikie<br>("Ms. Wong")                                    | 18/04/2019       | 0.12                                   | -   | 12,000,000                      | -                                 | -                                 | 4,020,000                         | -                                    | 7,980,000               | Note 1             |
| Mr. Chan Chun Sing<br>("Mr. C.S. Chan") (resigned<br>on 24 September 2019) | 18/04/2019       | 0.12                                   | -   | 10,000,000                      | -                                 | -                                 | 2,020,000                         | (7,980,000)<br>(Note 2)              | -                       |                    |
| Former Director  | 18/04/2019       | 0.12                                   | -   | -                               | -                                 | -                                 | -                                 | 7,980,000<br>(Note 2)                | 7,980,000               | Note 1             |
| <b>Employees of the Group</b>  |                  |  |   |                                 |                                   |                                   |                                   |                                      |                         |                    |
| In aggregate   | 18/04/2019       | 0.12                                   | -   | 17,500,000                      | -                                 | 500,000                           | 2,020,000                         | -                                    | 14,980,000              | Note 1             |
|  |                  |  |   | 39,500,000                      | -                                 | 500,000                           | 8,060,000                         | -                                    | 30,940,000              |                    |

Notes:

- up to 40% of the Share Options are exercisable on or after 18 April 2019;
  - up to 70% of the Share Options are exercisable on or after 18 April 2020;
  - all the remaining Share Options are exercisable on or after 18 April 2021;

and in each case, not later than 17 April 2024.
- Mr. C.S Chan resigned as an executive Director on 24 September 2019. The remaining 7,980,000 share options held by him have been reclassified as share options held by former director.

The closing price of the shares as stated in the Stock Exchange's daily quotations sheet immediately before the date on which the share options are granted (i.e. 17 April 2019) was HK\$0.12.

The estimated fair value of the share options granted on 18 April 2019 was approximately HK\$1,859,000. The fair value was calculated using the binomial option pricing model.

The inputs into the model were as follows:

|  |          |
|--|----------|
| Closing share price at the date of grant | HK\$0.12 |
| Exercise price                           | HK\$0.12 |
| Option life                              | 5 years  |
| Expected volatility                      | 48.45%   |
| Dividend yield                           | 0%       |
| Risk free interest rate                  | 1.69%    |

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. Expected volatility of the Company's share price as at the valuation date.

During the six months ended 30 September 2019, the Group recognised approximately HK\$956,000 as an expense in the condensed consolidated statement of comprehensive income in relation to share options granted by the Company.

No options were exercised or lapsed during the six months ended 30 September 2019. As at the date of this announcement, there were 30,940,000 outstanding share options in aggregate, of which 15,600,000 share options have vested and are issuable for 15,600,000 ordinary shares of the Company under the Share Option Scheme.

## 16. RELATED PARTY TRANSACTIONS

### (a) Transactions

During the period, the Group entered into the following transactions with related parties:

|   | <b>For the six months ended</b> |             |
|---|---------------------------------|-------------|
|   | <b>30 September</b>             |             |
|   | <b>2019</b>                     | 2018        |
|   | <b>HK\$'000</b>                 | HK\$'000    |
|   | <b>(Unaudited)</b>              | (Unaudited) |
| Rental paid by an indirect wholly-own subsidiary for temporary warehouse storage to Solaire International Limited | <u>177</u>                      | <u>–</u>    |

*Note:*

Solaire International Limited is held by Ms. Wong, Chairman, Chief Executive Officer and Executive Director of the Company. The transaction is conducted on normal commercial terms or better and is a connected transaction. The transaction is a de minimis transaction in accordance with GEM Listing Rules 20.74(1) fully exempt from the reporting, annual review, announcement, circular (including independent financial advice) and shareholders' approval requirements.

**(b) Compensation of key management personnel**

The remuneration paid and payable to the directors and other members of key management during the reporting periods were as follows:

|   | <b>For the six months ended</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>30 September</b>             |                 |
|   | <b>2019</b>                     | 2018            |
|   | <i>HK\$'000</i>                 | <i>HK\$'000</i> |
|   | <b>(Unaudited)</b>              | (Unaudited)     |
| Salaries, allowances and other benefits               | <b>3,701</b>                    | 3,016           |
| Contributions to defined contribution retirement plan | <b>38</b>                       | 49              |
|   | <b><u>3,739</u></b>             | <u>3,065</u>    |

**17. EVENTS AFTER THE REPORTING PERIOD**

There was no significant event occurred after the reporting period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

We are an established medical device distributor and one-stop medical device solutions provider with over 20 years of experience in the medical device market in Hong Kong.

For the six months ended 30 September 2019, the Group continued to implement our business strategy to solidify our position as a major medical device distributor in Hong Kong. We have been strengthening the resource of our operation team to provide timely delivery of our products. We have recruited talented personnel in various business units in order to support and sustain the growth of our business and expand our business, including product representatives and marketing staff to extend our customers coverage and meet our customers' need and capture the business opportunities.

We are in the process in supplying the first pharmacy automation system in Hong Kong. Being the pioneer to introduce this kind of automation system in Hong Kong, we are responsible for the supply, installation and maintenance of this system. The successful experience of this new system will certainly help to solve the shortage in medical healthcare manpower and give strong confidence to other potential customers in Hong Kong.

During the period under review, Hong Kong's economy was significantly affected by the social atmosphere. As a result of the continuous social incidents in Hong Kong, together with the effect of depreciation of Renminbi, the number of visitor arrivals from Mainland China to Hong Kong had greatly reduced. The threat of China-US trade war further deteriorated the consumer sentiment. The above may raise challenges on our customers' business. The Group will expand the product portfolio and enhance the customer services to enhance our one-stop medical device solutions services.

We continue to be optimistic on the outlook of the medical and healthcare industry, attributable to the increase of aging population and rising healthcare awareness of the public in Hong Kong together with our automation solution to eliminate the medical manpower shortage crisis in Hong Kong.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's revenue increased by approximately 14.3%, from approximately HK\$28.0 million for the six months ended 30 September 2018 to approximately HK\$32.0 million for the six months ended 30 September 2019. The increase was primarily attributable to the increase in revenue generated from medical consumables, resulting from the increase in sales of respiratory products and feeding products.

## **Gross profit and gross profit margin**

The Group recorded gross profit of approximately HK\$16.9 million for the six months ended 30 September 2019, representing an increase by approximately HK\$0.9 million or 5.6%, as compared to approximately HK\$16.0 million for the six months ended 30 September 2018. Gross profit margin decreased from approximately 57.2% for the six months ended 30 September 2018 to approximately 52.8% for the six months ended 30 September 2019. The decrease in gross profit margin was mainly because during the 30 September 2019, the Group sold a higher proportion of respiratory products and feeding products which had a comparatively lower gross profit margin and sold a lower proportion of ligation clips of medical consumables which had a comparatively higher gross profit margin.

## **Administrative and other operating expenses**

Administrative and other operating expenses for the six months ended 30 September 2019 amounted to approximately HK\$11.0 million, representing an increase by approximately HK\$1.7 million or 18.3%, as compared to approximately HK\$9.3 million for the six months ended 30 September 2018. The increase was primarily attributable to the increase in the staff costs, including Directors' remuneration. The increase in staff cost was mainly attributable to the non-cash equity-settled share-based payment expenses in relation to the share options granted on 18 April 2019 under the share option scheme (the "Share Option Scheme") adopted by the Company on 1 March 2018, which amounted to approximately HK\$1.0 million and increase of workforce of the Group for the six months ended 30 September 2019.

## **Income tax expenses**

Income tax expenses for the six months ended 30 September 2019 amounted to approximately HK\$1.2 million (six months ended 30 September 2018: approximately HK\$1.2 million).

## **Profit for the period**

During the six months ended 30 September 2019, the Group recorded a profit of approximately HK\$4.6 million, as compared to the profit of approximately HK\$5.4 million for the six months ended 30 September 2018. The Group's profit decreased by approximately HK\$0.8 million or 14.8 %, mainly as a result of the increase in administrative and operating expenses netting off against the increase in gross profit explained above.

## **DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2019, current assets amounted to approximately HK\$90.5 million (31 March 2019: approximately HK\$85.2 million). Current liabilities were approximately HK\$15.9 million (31 March 2019: approximately HK\$10.0 million).

As at 30 September 2019, the Group had total cash and bank balances of approximately HK\$62.9 million (31 March 2019: approximately HK\$57.0 million).

The gearing ratio (calculate as the aggregate of total bank and other borrowings dividend by total assets) of the Group as at 30 September 2019 was nil (31 March 2019: nil) as the Group had no material debt financing.

There has been no change in the capital structure of the Company during the six months ended 30 September 2019.

## **COMMITMENTS**

As at 31 March 2019 and 30 September 2019, the Group did not have any significant capital commitments.

## **SEGMENT INFORMATION**

Segment information is disclosed in note 3 to the condensed consolidated financial statements.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets as at 30 September 2019.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the six months ended 30 September 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## **SIGNIFICANT INVESTMENTS**

As at 30 September 2019, there was no significant investment held by the Group (31 March 2019: Nil).

## **CONTINGENT LIABILITIES**

As at 30 September 2019, the Group had no material contingent liabilities (31 March 2019: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

The Group operates in Hong Kong with certain business transactions being settled in HK\$, United States dollars (“US\$”) or Euro. As HK\$ is pegged to US\$, the Directors do not expect any significant movement in the US\$/HK\$ exchange rate. The Group monitors its foreign currency exposure closely and will consider undertake foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group’s operating result.

## **CHARGE OF GROUP'S ASSETS**

As at 31 March 2019, the Group has pledged its bank deposits of approximately HK\$3.0 million to a bank for securing the banking facility of HK\$3.0 million granted to the Group, so as to obtain the bank guarantees in favour of the customers of certain tender contracts.

As at 30 September 2019, the Group has not pledged any bank deposits to the bank for securing the bank facility.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2019, the Group has a total of 33 employees (31 March 2019: 27 employees). Staff costs, including Directors' remuneration, of the Group were approximately HK\$7.4 million for the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$5.3 million). Remuneration is determined with reference to factors such as comparable market salaries and work performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to employees with outstanding performance to attract and retain eligible employees to contribute to the Group.

## **COMPARISON OF BUSINESS STRATEGIES AND ACTUAL BUSINESS PROGRESS**

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 30 September 2019.

### **Business objectives as stated in the Prospectus**

### **Actual business progress up to 30 September 2019**

Further penetrate the medical device market and enhance the market share

The Group has participating in various exhibition including Hospital Authority Convention 2019, Hong Kong International Medical and Healthcare Fair and Pediatric Society Annual Scientific Meeting 2019.

The Group is continuously enhancing our website.

Expand the workforce

The Group has recruited five sales executives, two engineers, one warehouse staff and is in the process of recruiting high caliber staff to strengthen the workforce.

Selectively pursue opportunities for strategic acquisitions

The Group is in the process of identifying potential acquisition target with prudence.

Enhance the research and development and product development effort

The Group has recruited one software engineer to strengthen our product research and development capability and researching certain medical and healthcare automation solutions.

**Business objectives as stated in the Prospectus****Actual business progress up to 30 September 2019**

|  |  |
|--|--|
| Upgrade the information technology systems   | The Group has purchased some new hardware and software and engaged an independent consultant to upgrade the information technology infrastructure. |
| Maximise the warehouse space, establish the showroom and upgrade the functionality of office space | The Group is in the process of identifying a suitable place of showroom and suppliers for warehouse facilities improvement with prudence.          |

**USE OF PROCEEDS**

The actual net proceeds from the Share Offer, after deducting the listing-related expenses, were approximately HK\$31.2 million, compared to the estimated net proceeds of approximately HK\$33.1 million as disclosed in the Prospectus. The difference of HK\$1.9 million between the actual and estimated amount of the net proceeds has been adjusted in the same manner as stated in the Prospectus:

|  | <b>Proposed amount to be used up to 31 March 2020</b> | <b>Proposed amount to be used up to 30 September 2019</b> | <b>Approximate actual amount utilised up to 30 September 2019</b> |
|--|---|---|---|
|  | <i>HK\$ million</i>                                   | <i>HK\$ million</i>                                       | <i>HK\$ million</i>   |
| Further penetrate the medical device market and enhance the market share                           | 6.1   | 4.9   | 0.4   |
| Expand the workforce   | 9.7   | 6.5   | 3.0   |
| Selectively pursue opportunities for strategic acquisitions  | 7.7   | 7.7   | –   |
| Enhance the research and development and product development effort                                | 1.3   | 0.8   | –   |
| Upgrade the information technology systems   | 2.5   | 2.5   | 0.3   |
| Maximise the warehouse space, establish the showroom and upgrade the functionality of office space | 2.1   | 1.9   | 0.1   |
| General working capital  | 1.8   | 1.4   | 1.4   |
|  | <u>31.2</u>   | <u>25.7</u>   | <u>5.2</u>  |

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of the future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied based on the actual development of the Group's business and the market.

The Group intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

As at 30 September 2019, approximately HK\$5.2 million out of the net proceeds from the Listing had been used. The unused net proceeds have been deposited in licensed banks in Hong Kong.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

#### **DIRECTORS' SECURITIES TRADING TRANSACTIONS**

The Group has adopted a code of conduct set out in the "required standard of dealings" in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have been complying with the required standard of dealings and the related code of conduct regarding directors' securities transactions during the six months ended 30 September 2019.

As far as the Group is aware, the Directors and employees of the Group have not breached the required standard of dealings and the code of conduct.

#### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of the Directors and directors of the Company's subsidiaries, or any of their respective associates, as defined in the GEM Listing Rules, had interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has any other conflict of interests with the Group (other than being a director of the Company and/or its subsidiaries and their respective associates) during the six months ended 30 September 2019.

#### **DEED OF NON-COMPETITION**

Ms. Wong and B&A Success (collectively the "Controlling Shareholders") have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 1 March 2018. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders during the six months ended 30 September 2019.

## **CORPORATE GOVERNANCE PRACTICE**

The Group has adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules. During the six months ended 30 September 2019, the Group has complied with all the code provisions of the CG Code, except for the deviation stipulated below.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

According to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

For the six months ended 30 September 2019, the roles of chairman of the Board were performed by the chief executive officer, Ms. Wong. As the chairman of the Board, Ms. Wong is responsible for the formulating, planning and directing the Group’s overall strategy. Ms. Wong works with other executive Director in executing the business development plan, operation and day-to-day management of the Group and seeks for Board approval for any significant decisions and transactions.

Although Ms. Wong performs both roles, the Board has conducted an assessment and believed that the independence, effectiveness and functionality of the Board and the Group’s operations has been and will be highly maintained together with independent check and balance measures in place as the Board has sufficient number of Directors who have diversified background and expertise.

### **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, Guotai Junan Capital Limited, save for the compliance adviser agreement dated 19 September 2017 entered into between the Company and Guotai Junan Capital Limited, none of Guotai Junan Capital Limited, its directors, employees and close associates had any interest in the securities of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2019.

## AUDIT COMMITTEE

The Company established the Audit Committee on 1 March 2018 with written terms of reference in compliance with the GEM Listing Rules which are available on the websites of the GEM and the Company. The Audit Committee currently consists of two independent non-executive Directors, namely Mr. Wong Lung Wo James and Mr. Chan Ping Keung, and one non-executive Director, namely Dr. Miu Yin Shun Andrew. Mr. Wong Lung Wo James has the appropriate accounting and financial related management expertise and serves as the chairman of the Audit Committee.

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019, and is of the opinion that such statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board  
**Grand Brilliance Group Holdings Limited**  
**Wong Bik Kwan Bikie**  
*Chairman and Chief Executive Officer*

Hong Kong, 8 November 2019

*As at the date of this announcement, the executive Director is Ms. Wong Bik Kwan Bikie; the non-executive Directors are Dr. Miu Yin Shun Andrew and Mr. Chiu Man Wai; and the independent non-executive Directors are Mr. Ng Leung Sing SBS, JP, Mr. Wong Lung Wo James and Mr. Chan Ping Keung.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least seven days from the date of its publication and the website of the Company ([www.grandbrilliancegroup.com](http://www.grandbrilliancegroup.com)).*