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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 2018

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”) 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 2018, together with the comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		For the six months ended	
		30 September	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	28,004	27,754
Cost of revenue		(11,980)	(13,174)
Gross profit		16,024	14,580
Other income		364	50
Other gains or losses		–	112
Distribution and selling expenses		(473)	(390)
Administrative and other operating expenses		(9,301)	(5,460)
Listing expenses		–	(6,556)
Profit before income tax	5	6,614	2,336
Income tax expense	6	(1,221)	(1,570)
Profit for the period attributable to owners of the Company		5,393	766
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale financial assets			
— Changes in fair value		–	(20)
Other comprehensive income for the period		–	(20)
Total comprehensive income attributable to owners of the Company		5,393	746
		HK cent	HK cent
Earnings per share attributable to owners of the Company			
Basic and diluted earnings per share	8	0.67	0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	<i>Notes</i>	As at 30 September 2018 <i>HK\$'000</i> (Unaudited)	As at 31 March 2018 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	2,533	1,490
Other asset		2,690	2,690
Available-for-sale financial asset		750	750
Long-term deposit		417	417
		6,390	5,347
Current assets			
Inventories		13,306	14,499
Trade and other receivables, deposits and prepayments	10	10,067	7,675
Tax recoverable		–	57
Cash and bank balances		56,399	61,067
		79,772	83,298
Current liabilities			
Trade and other payables	11	4,708	13,818
Deferred revenue		274	204
Tax payable		1,036	–
		6,018	14,022
Net current assets		73,754	69,276
Total assets less current liabilities		80,144	74,623
Non-current liabilities			
Deferred tax liabilities		160	32
Net assets		79,984	74,591
CAPITAL AND RESERVES			
Share capital	12	8,000	8,000
Reserves		71,984	66,591
Total equity		79,984	74,591

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Available- for-sale financial assets revaluation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017 (audited)	1,500	–	–	225	29,507	31,232
Profit for the period	–	–	–	–	766	766
Other comprehensive income for the period						
— Fair value changes of available- for-sale financial asset	–	–	–	(20)	–	(20)
Total comprehensive income for the period	–	–	–	(20)	766	746
Dividends declared (<i>note 7</i>)	–	–	–	–	(14,040)	(14,040)
Arising from group reorganisation	(1,500)	–	1,500	–	–	–
Issue of shares	–	14,132	–	–	–	14,132
At 30 September 2017 (unaudited)	<u>–</u>	<u>14,132</u>	<u>1,500</u>	<u>205</u>	<u>16,233</u>	<u>32,070</u>
At 1 April 2018 (audited)	8,000	52,499	1,500	205	12,387	74,591
Adjustment on adoption of HKFRS9	–	–	–	(205)	205	–
At 1 April 2018 (after adjustment)	8,000	52,499	1,500	–	12,592	74,591
Profit for the period and total comprehensive income for the period	–	–	–	–	5,393	5,393
At 30 September 2018 (unaudited)	<u>8,000</u>	<u>52,499</u>	<u>1,500</u>	<u>–</u>	<u>17,985</u>	<u>79,984</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(3,192)	57
Net cash used in investing activities	(1,476)	(2,887)
Net cash generated from financing activities	—	6,552
Net (decrease)/increase in cash and cash equivalents	(4,668)	3,722
Cash and cash equivalents at beginning of the period	58,037	9,776
Cash and cash equivalents at end of the period	53,369	13,498
Analysis of the balance of cash and cash equivalents		
Cash at bank and on hand	56,399	16,528
Pledged bank deposit	(3,030)	(3,030)
	53,369	13,498

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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 (“BVI”). 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.

Pursuant to the reorganisation of the Group (the “Reorganisation”) in connection with the Listing, the Company became the holding company of the companies comprising the Group. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 19 March 2018 (the “Prospectus”).

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable 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 2018.

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

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 2018, except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 April 2018 as described below:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The condensed consolidated financial statements for the six months ended 30 September 2018 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) Information about major customers

For the six months ended 30 September 2018, no revenue from a single customer accounted for 10% or above of the total revenue of the Group. For the six months ended 30 September 2017, revenue from one customer amounted to approximately HK\$3,043,000, which represented more than 10% of the Group’s revenue.

4. REVENUE

The Group is 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. Revenue derived from the principal activities comprises the following:

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of medical devices and products		
Medical consumables	19,331	19,722
Medical equipment	6,920	6,295
Medical instruments	696	850
Others	7	–
	26,954	26,867
Rendering of maintenance services	969	814
Rental income from leasing medical devices	81	73
	28,004	27,754

5. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	–	535
Cost of inventories recognised as expense [#]		
— Carrying amount of inventories consumed	11,220	11,993
— Allowance for inventories	111	226
— Write-off of inventories	47	158
	11,378	12,377
Depreciation of property, plant and equipment*	443	119
Employee costs (including directors' emoluments)		
— Salaries, allowances and other benefits	5,143	2,880
— Contributions to defined contribution retirement plan	151	127
	5,294	3,007
Bank interest income	243	–
Exchange loss/(gains), net	83	(112)
Operating lease charges in respect of buildings	1,468	1,151
Research and development expenditure [^]	238	240

[#] Included in cost of revenue

^{*} Included in administrative and other operating expenses

[^] Included in research and development expenditure are staff costs amounted to approximately HK\$235,000 for the six months ended 30 September 2018 (six months ended 30 September 2017: approximately HK\$217,000) which have been included in the employee costs above.

6. INCOME TAX EXPENSE

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

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax for the period		
— Hong Kong Profits Tax	1,107	1,532
(Over)/under-provision in respect of prior years	(14)	26
	<u>1,093</u>	<u>1,558</u>
Deferred tax	128	12
	<u>1,221</u>	<u>1,570</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 September 2018 and 2017.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018.

The dividend amounts set out in the condensed consolidated statements of changes in equity of HK\$14,040,000 for the six months ended 30 September 2017, represented the aggregate of the interim dividend of HK\$2,840,000 and the special dividend of HK\$11,200,000 declared by a subsidiary of the Company to their then shareholders and were fully settled.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	<u>5,393</u>	<u>766</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings per share	<u>800,000</u>	<u>632,000</u>

The number of shares for the purpose of calculating basic earnings per share for the six months ended 30 September 2017 has been retrospectively adjusted for the issue of shares during the Reorganisation and Capitalisation issue (as defined in the Prospectus), as if these shares had been issued throughout the period.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 September 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment with a cost of approximately HK\$1,496,000 (six months ended 30 September 2017: approximately HK\$163,000).

During the six months ended 30 September 2018, property, plant and equipment with a net book value of nil (six months ended 30 September 2017: Nil) was disposed of by the Group, which had a gain on disposal of HK\$20,000 (six months ended 30 September 2017: Nil).

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Trade receivables	10,560	8,349
Less: Provision for impairment	(1,418)	(1,418)
Trade receivables, net (note)	9,142	6,931
Other receivables	68	35
Deposits and prepayments	857	709
	10,067	7,675

Note:

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

There were no movements in the allowance for impairment of trade receivables during the current and prior periods.

Trade receivables as at 30 September 2018 amounting to HK\$1,418,000 (31 March 2018: HK\$1,418,000) were impaired and full provision has been made for the balances.

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
0–30 days	7,402	4,283
31–60 days	1,101	1,355
61–90 days	438	678
Over 90 days	201	615
	9,142	6,931

11. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Trade payables	2,988	3,333
Accruals and other payables	1,562	10,284
Deposits received	158	201
	<u>4,708</u>	<u>13,818</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:

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
0–30 days	2,275	2,619
31–60 days	–	257
61–90 days	–	–
Over 90 days	713	457
	<u>2,988</u>	<u>3,333</u>

12. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of shares	Amount HK\$'000
Authorised: At 31 March 2018 and 30 September 2018	<u>8,000,000,000</u>	<u>80,000</u>
Issued and fully paid: At 31 March 2018 and 30 September 2018	<u>800,000,000</u>	<u>8,000</u>

13. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

The Group leases office premises and warehouses under operating lease arrangement. The leases run for an initial period of two to three years. Certain tenancy agreements grant the Group and the landlord an option to terminate the tenancy after specified date stipulated in the agreements.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Within one year	2,155	2,068
Later than one year and not more than two years	980	1,995
	<u>3,135</u>	<u>4,063</u>

14. RELATED PARTY TRANSACTIONS

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:

	For the six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Salaries, allowances and other benefits	3,016	1,177
Contributions to defined contribution retirement plan	49	42
	<u>3,065</u>	<u>1,219</u>

15. EVENTS AFTER THE REPORTING PERIOD

There was no significant event occurred after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established medical device distributor with over 19 years of experience in the medical device market in Hong Kong. As an integral part of the distribution business, the Group also provide one-stop medical device solutions, including market trend analysis, sourcing of medical devices, after-sale services, technical support and training services, medical device leasing services and quality assurance. To satisfy the customers' specifications and requirements, the Group sourced over 10,000 types of medical devices directly from over 40 suppliers which mostly comprised overseas medical device manufacturers and supplied these medical devices together with the necessary medical devices solutions to a large number of customers mainly comprising all private hospitals in Hong Kong, substantially all of the public hospitals in Hong Kong, and some of the private clinics, non-profit organisations, universities and individual end-users in Hong Kong.

The variety of medical device products the Group supplies to the customers is broadly categorised into four major types, namely: (i) medical consumables such as needleless connectors, ligation clips, biopsy needles, drapes used during operation, suction liners, suction tubings, wound drain products, respiratory and feeding products; (ii) medical equipment such as electric beds and mattresses, stretchers, furniture used in wards, respiratory care products and blood warmers; (iii) medical instruments such as anterior cervical retractor system for neurosurgery and laparoscopic instruments for minimally invasive surgery; and (iv) other healthcare products such as hand sanitisers which are ancillary in nature.

During the six months ended 30 September 2018, the Group continues to grow its business through expanding the product portfolio. The Group has successfully promoted airway management anaesthetic products, which can be applied in general anesthesia, emergency use, resuscitation and elective inpatient and outpatient surgical procedure.

Looking forward, the Group hopes to supply more comprehensive range of respiratory products for oxygen and aerosol therapy and active humidification for both invasive and non-invasive ventilation, as well as more comprehensive line of urology products. The Group will also continue to introduce the pharmacy automation system and the automated logistics system for transporting medication, laboratory specimens and necessities for patients to hospitals.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 0.9%, from approximately HK\$27.8 million for the six months ended 30 September 2017 to approximately HK\$28.0 million for the six months ended 30 September 2018. The increase was primarily attributable to the increase in revenue generated from medical equipment, resulting from the increase in sales of spare parts.

Gross profit and gross profit margin

The Group recorded gross profit of approximately HK\$16.0 million for the six months ended 30 September 2018, representing an increase by approximately HK\$1.4 million or 9.9%, as compared to approximately HK\$14.6 million for the six months ended 30 September 2017. Gross profit margin increased from approximately 52.5% for the six months ended 30 September 2017 to approximately 57.2% for the six months ended 30 September 2018. The increase in gross profit and gross profit margin was mainly because the Group sold a higher proportion of electric beds and needleless connectors which had a comparatively lower gross profit margin for the six months ended 30 September 2017 and the Group sold a higher proportion of spare parts of medical equipment and airway management medical device, which had a comparatively higher gross profit margin for the six months ended 30 September 2018.

Administrative and other operating expenses

Administrative and other operating expenses mainly included auditor's remuneration, advertising and marketing expenses, depreciation, Directors' remuneration, legal and professional fee, rent, rates and management fee for office and warehouses, recruitment costs, staff costs, travelling and entertainment expenses and other miscellaneous expenses.

Administrative and other operating expenses for the six months ended 30 September 2018 amounted to approximately HK\$9.3 million, representing an increase by approximately HK\$3.8 million or 70.3%, as compared to approximately HK\$5.5 million for the six months ended 30 September 2017.

The increase was primarily attributable to the increase in the (i) staff costs, including Directors' remuneration, by approximately HK\$2.3 million; (ii) legal and professional fee by approximately HK\$0.3 million; (iii) depreciation by approximately HK\$0.3 million; (iv) rental expenses by approximately HK\$0.3 million; (v) recruitment costs by approximately HK\$0.2 million; (vi) travelling and entertainment expenses by approximately HK\$0.3 million; and (vii) other miscellaneous expenses by approximately HK\$0.1 million.

Listing expenses

For the six months ended 30 September 2018, no non-recurring listing expenses were incurred. The Group recognised such expenses of approximately HK\$6.6 million in connection with the Listing for the six months ended 30 September 2017.

Income tax expenses

Income tax expenses for the six months ended 30 September 2018 amounted to approximately HK\$1.2 million (six months ended 30 September 2017: approximately HK\$1.6 million). During the six months ended 30 September 2017, the Group incurred one-off listing expenses which were not deductible for taxation purpose.

Profit for the period

During the six months ended 30 September 2018, the Group recorded a profit of approximately HK\$5.4 million, as compared to the profit of approximately HK\$0.8 million for the six months ended 30 September 2017. Excluding the non-recurring listing expenses, profit for the six months ended 30 September 2017 would have been amounted to approximately HK\$7.3 million. The Group's profit (excluding non-recurring listing expenses) decreased by approximately 26.4%, from approximately HK\$7.3 million for the six months ended 30 September 2017 to approximately HK\$5.4 million for the six months ended 30 September 2018, mainly as a result of the increase in administrative and other operating expenses.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018.

The dividend of HK\$14,040,000 for the six months ended 30 September 2017 represented the aggregate of the interim dividend of HK\$2,840,000 and the special dividend of HK\$11,200,000 declared by a subsidiary of the Company to their then shareholders and were fully settled.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

As at 30 September 2018, current assets amounted to approximately HK\$79.8 million (31 March 2018: approximately HK\$83.3 million). Current liabilities were approximately HK\$6.0 million (31 March 2018: approximately HK\$14.0 million).

Financial Resources

As at 30 September 2018, the Group had total cash and bank balances of approximately HK\$56.4 million (31 March 2018: approximately HK\$61.1 million).

As at 30 September 2018, the Group had trade receivables of approximately HK\$9.1 million (31 March 2018: approximately HK\$6.9 million).

Gearing ratio

The gearing ratio of the Group as at 30 September 2018 was 1.3% (31 March 2018: Nil) as the Group had a minimal amount of debt.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company since the Listing. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2018, the Company's issued share capital was HK\$8,000,000 and the number of issued ordinary shares was 800,000,000 of HK\$0.01 each. Details of the Group's share capital are set out in note 12 to the condensed consolidated financial statements in this announcement.

CAPITAL COMMITMENTS

As at 31 March 2018 and 30 September 2018, 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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 30 September 2018, there was no significant investment held by the Group (31 March 2018: Nil).

CONTINGENT LIABILITIES

As at 30 September 2018, the Group had no material contingent liabilities (31 March 2018: 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 30 September 2018, the Group has pledged its bank deposits of approximately HK\$3.0 million (31 March 2018: 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group has a total of 28 employees (31 March 2018: 23 employees). Staff costs, including Directors’ remuneration, of the Group were approximately HK\$5.3 million for the six months ended 30 September 2018 (six months ended 30 September 2017: approximately HK\$3.0 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 2018.

Business objectives as stated in the Prospectus	Actual business progress up to 30 September 2018
Further penetrate the medical device market and enhance the market share	<p>The Group has been increasing the marketing efforts, including participating in (i) Hospital Authority Convention 2018; (ii) Exhibition of International Nurses Day 2018; and (iii) Exhibition in Hong Kong College of Midwives 6th AGM Cum Professional Seminar.</p> <p>The Group has established its website and is in the process of enhancing the website.</p>
Expand the workforce	<p>The Group has recruited four sales executives, one assistant accountant, one administration officer and one service engineer and is in the process of recruiting high caliber staff to strengthen the team.</p>
Selectively pursue opportunities for strategic acquisitions	<p>The Group is in the process of identifying potential acquisition target.</p>

Business objectives as stated in the Prospectus**Actual business progress up to 30 September 2018**

Enhance the research and development and product development effort

The Group is using the existing product sample of security system to develop hardware prototype.

Upgrade the information technology systems

The Group has purchased some new computer hardware and software and has engaged an independent information technology consultant to upgrade the enterprise resources planning system.

Maximise the warehouse space, establish the showroom and upgrade the functionality of office space

The Group has purchased and installed a video conference system.

The Group is in the process of identifying suitable place of showroom and suitable supplier of warehouse racks.

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. In light of the difference between the actual and estimated amount of the net proceeds, the Group has adjusted the use of net proceeds in the same manner as stated in the Prospectus:

	Adjusted use of actual net proceeds in the same manner as stated in the Prospectus up to 31 March 2020 HK\$ million	Adjusted use of actual net proceeds in the same manner as stated in the Prospectus from the date of the Listing to 30 September 2018 HK\$ million	Actual utilised amounts from the date of the Listing to 30 September 2018 HK\$ million
Further penetrate the medical device market and enhance the market share	6.1	2.6	0.2
Expand the workforce	9.7	1.4	0.2
Selectively pursue opportunities for strategic acquisitions	7.7	–	–
Enhance the research and development and product development effort	1.3	0.6	–
Upgrade the information technology systems	2.5	0.2	0.1
Maximise the warehouse space, establish the showroom and upgrade the functionality of office space	2.1	1.5	0.1
General working capital	1.8	0.5	0.5
	31.2	6.8	1.1
	31.2	6.8	1.1

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 industry.

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 2018, approximately HK\$1.1 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 2018.

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 2018.

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 2018.

DEED OF NON-COMPETITION

Ms. Wong Bik Kwan Bikie 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 2018.

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 2018, 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 2018, the roles of chairman of the Board were performed by the chief executive officer, Ms. Wong Bik Kwan Bikie. 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 2018.

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 2018, 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 Bkie
Chairman and Chief Executive Officer

Hong Kong, 6 November 2018

As at the date of this announcement, the executive Directors are Ms. Wong Bik Kwan Bkie and Mr. Chan Chun Sing; 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) for at least seven days from the date of its publication and the website of the Company (www.grandbrilliancegroup.com).