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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 2020

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 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		For the six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	30,645	32,001
Cost of revenue		<u>(13,635)</u>	<u>(15,115)</u>
Gross profit		17,010	16,886
Other income		1,921	530
Other gains or losses		(29)	19
Distribution and selling expenses		(444)	(529)
Administrative and other operating expenses		(11,577)	(11,045)
Finance costs	5	<u>(38)</u>	<u>(104)</u>
Profit before income tax	6	6,843	5,757
Income tax expense	7	<u>(1,149)</u>	<u>(1,174)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>5,694</u>	<u>4,583</u>
		<i>HK cent</i>	<i>HK cent</i>
Earnings per share attributable to owners of the Company			
Basic and diluted earnings per share	9	<u>0.71</u>	<u>0.57</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	1,182	1,335
Other asset		2,690	2,690
Financial asset measured at fair value through profit or loss		820	820
Long-term deposit		132	132
Right-of-use asset		4,673	914
Deferred tax assets		26	7
		<hr/> 9,523 <hr/>	<hr/> 5,898 <hr/>
Current assets			
Inventories		16,657	15,454
Contract costs	<i>11</i>	2,458	2,195
Trade and other receivables, deposits and prepayments	<i>12</i>	13,020	10,703
Cash and bank balances		65,097	70,637
		<hr/> 97,232 <hr/>	<hr/> 98,989 <hr/>
Current liabilities			
Trade and other payables	<i>13</i>	3,740	8,312
Contract liabilities	<i>11</i>	5,762	5,940
Amount due to a related Company	<i>16</i>	–	98
Lease liabilities		2,635	811
Tax Payable		2,011	1,244
		<hr/> 14,148 <hr/>	<hr/> 16,405 <hr/>
Net current assets		<hr/> 83,084 <hr/>	<hr/> 82,584 <hr/>
Total assets less current liabilities		<hr/> 92,607 <hr/>	<hr/> 88,482 <hr/>
Non-current liabilities			
Lease liabilities		<hr/> 1,822 <hr/>	<hr/> – <hr/>
Net assets		<hr/> 90,785 <hr/>	<hr/> 88,482 <hr/>
CAPITAL AND RESERVES			
Share capital	<i>14</i>	8,000	8,000
Reserves		82,785	80,482
Total equity		<hr/> 90,785 <hr/>	<hr/> 88,482 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019 (audited)	8,000	52,499	1,500	–	19,113	81,112
Profit and total comprehensive income for the period	–	–	–	–	4,583	4,583
Recognition of equity-settled share-based payment	–	–	–	956	–	956
Dividend declared (<i>Note 8</i>)	–	–	–	–	(3,500)	(3,500)
At 30 September 2019 (unaudited)	<u>8,000</u>	<u>52,499</u>	<u>1,500</u>	<u>956</u>	<u>20,196</u>	<u>83,151</u>
At 1 April 2020 (audited)	8,000	52,499	1,500	813	25,670	88,482
Profit and total comprehensive income for the period	–	–	–	–	5,694	5,694
Recognition of equity-settled share-based payment	–	–	–	109	–	109
Lapse of share options	–	–	–	(9)	9	–
Dividend declared (<i>Note 8</i>)	–	–	–	–	(3,500)	(3,500)
At 30 September 2020 (unaudited)	<u>8,000</u>	<u>52,499</u>	<u>1,500</u>	<u>913</u>	<u>27,873</u>	<u>90,785</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(706)	8,623
Cash flows (used in)/from investing activities		
Payment for purchase of property, plant and equipment	(327)	(160)
Interest received	318	488
Net cash (used in)/from investing activities	(9)	328
Cash flows used in financing activities		
Repayment of principal portion of lease liabilities	(1,287)	–
Interest paid on lease liabilities	(38)	–
Dividend paid	(3,500)	–
Net cash used in financing activities	(4,825)	–
Net (decrease)/increase in cash and cash equivalents	(5,540)	8,951
Cash and cash equivalents at beginning of the period	70,637	53,943
Cash and cash equivalents at end of the period	65,097	62,894
Analysis of the balance of cash and cash equivalents		
Cash at bank and on hand	65,097	62,894
	65,097	62,894

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020.

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 adopted in preparing the unaudited condensed consolidated results for the six months ended 30 September 2020 are consistent with those adopted in the audited financial statements for the year ended 31 March 2020, except for a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

The condensed consolidated financial statements for the six months ended 30 September 2020 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Timing of revenue recognition		
Over time	1,420	1,159
At a point in time	<u>29,225</u>	<u>30,842</u>
	<u>30,645</u>	<u>32,001</u>

(d) Information about major customers

For the six months ended 30 September 2020, revenue from one customer amounted to HK\$3,930,000 which represented more than 10% of the total revenue of the Group.

For the six months ended 30 September 2019, 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	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customer:		
Sales of medical devices and products		
Medical consumables	23,814	23,191
Medical equipment	4,555	7,006
Medical instruments	856	645
	29,225	30,842
Rendering of maintenance services	1,302	1,080
	30,527	31,922
Revenue from other source:		
Rental income from leasing medical devices	118	79
	30,645	32,001

5. FINANCE COSTS

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on lease liabilities	38	104
	38	104

6. PROFIT BEFORE INCOME TAX

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

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Reversal of loss allowance for trade receivables	(13)	(19)
Cost of inventories recognised as expense [#]		
— Carrying amount of inventories consumed	12,052	14,071
— Allowance for inventories	(516)	129
— Write-off of inventories	1,340	106
	12,876	14,306
Depreciation of property, plant and equipment	480	471
Depreciation of right-of-use assets	1,136	1,319
Employee costs (including directors' emoluments)		
— Salaries, allowances and other benefits	6,478	6,231
— Equity-settled share-based payment expenses	109	956
— Contributions to defined contribution retirement plan	231	192
	6,818	7,379
Bank interest income	(318)	(488)
Exchange difference, net	42	183
Total minimum lease payments for short-term leases under HKFRS 16, in respect of buildings	1,101	326
Research and development expenditure [^]	281	305

[#] Included in cost of revenue

[^] Included in research and development expenditure are staff costs amounted to approximately HK\$245,000 for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$293,000) 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:

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax for the period		
— Hong Kong Profits Tax	1,168	1,197
Deferred tax	(19)	(23)
	1,149	1,174

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 ended 30 September 2020 and 2019.

8. DIVIDENDS

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend for the year ended 31 March 2020 of HK cent 0.4375 per share (2019: HK cent 0.4375 per share)	3,500	3,500

Note:

An interim dividend of HK\$0.4375 cent per ordinary share for the year ended 31 March 2020 was declared by the Board, which was paid on Monday, 3 August 2020 to the shareholders of the Company whose name appear on the register of members on Monday, 13 July 2020.

9. 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	<u>5,694</u>	<u>4,583</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>800,000</u>

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately HK\$5,694,000 (six months ended 30 September 2019: approximately HK\$4,583,000) and on the weighted average number of 800,000,000 (six months ended 30 September 2019: 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 2020 and 2019. There was no dilutive potential ordinary shares in existence during the six months ended 30 September 2020 and 2019.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment with a cost of approximately HK\$327,000 (six months ended 30 September 2019: approximately HK\$160,000).

During the six months ended 30 September 2020 and 2019, no property, plant and equipment was disposed by the Group.

11. CONTRACT COSTS AND CONTRACT LIABILITIES

(a) Contract costs

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Costs to fulfill a contract (<i>note</i>)	<u>2,458</u>	<u>2,195</u>

Note:

Contract costs capitalised as at 30 September 2020 and 31 March 2020 relate to the direct costs incurred in a contract of sales of medical devices to a third party entered during the reporting period. The costs were incurred for satisfying the performance obligation in the future. The directors of the Company expects the costs to be recovered.

(b) Contract liabilities

The movement in contract liabilities during the reporting period is as follows:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Balance as at 1 April	5,940	229
Decrease in contract liabilities as a result of recognising revenue during the reporting period that was included in the contract liabilities at the beginning of the reporting period	(2,020)	(229)
Increase in contract liabilities as a result of receipt in advance from sales of medical devices and products and rendering of maintenance services	<u>1,842</u>	<u>5,940</u>
Balance as at 30 September 2020 and 31 March 2020	<u>5,762</u>	<u>5,940</u>

The contract liabilities mainly relate to the advance consideration received from customers for (i) sales of medical devices and products and (ii) rendering of maintenance services. The Group will recognise the expected revenue in future when such performance obligation is satisfied, which is expected to occur in the next 12 months.

The Group has applied the practical expedient to its sales contracts for medical devices and products and rendering of maintenance services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for rendering of maintenance services that had an original expected duration of one year or less.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	9,755	9,133
Less: Provision for impairment	(1,460)	(1,473)
	<hr/>	<hr/>
Trade receivables, net (<i>note</i>)	8,295	7,660
Other receivables	210	142
Deposits and prepayments	4,515	2,901
	<hr/>	<hr/>
	13,020	10,703
	<hr/> <hr/>	<hr/> <hr/>

Note:

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

As at 30 September 2020 and 31 March 2020, 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 2020 and year ended 31 March 2020 are as below:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
As at 1 April	1,473	1,497
Reversal of allowance for impairment during the period	(13)	(24)
	<hr/>	<hr/>
As at 30 September 2020 and 31 March 2020	1,460	1,473
	<hr/> <hr/>	<hr/> <hr/>

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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0–30 days	4,811	4,171
31–60 days	1,837	2,324
61–90 days	741	286
Over 90 days	906	879
	<hr/>	<hr/>
	8,295	7,660
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	2,469	4,635
Accruals and other payables	1,271	3,677
	<u>3,740</u>	<u>8,312</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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0–30 days	983	2,323
31–60 days	658	1,080
61–90 days	90	207
Over 90 days	738	1,025
	<u>2,469</u>	<u>4,635</u>

14. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of shares	Amount <i>HK\$'000</i>
Authorised: At 31 March 2020 and 30 September 2020	8,000,000,000	80,000
Issued and fully paid: At 31 March 2020 and 30 September 2020	800,000,000	8,000

15. SHARE BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme (“Share Option Scheme”) on 1 March 2018 to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group and continuing efforts to promote the interest of the Group. The terms of the Share Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules.

Details of Share Options and their movements during the six months ended 30 September 2020 are as follows:

	Date of Grant	Exercise price per Share HK\$	as at 01/04/2020	Number of Shares issuable under the options			as at 30/09/2020	Exercise period
				granted during the period	exercised during the period	lapsed during the period		
Director								
Ms. Wong Bik Kwan Bikie (“Ms. Wong”)	18/04/2019	0.12	7,980,000	-	-	-	7,980,000	Note 1
Employees of the Group								
In aggregate	18/04/2019	0.12	14,480,000	-	-	(1,000,000)	13,480,000	Note 1
			<u>22,460,000</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>21,460,000</u>	

Notes:

1. (i) up to 40% of the Share Options are exercisable on or after 18 April 2019;
 - (ii) up to 70% of the Share Options are exercisable on or after 18 April 2020;
 - (iii) all the remaining Share Options are exercisable on or after 18 April 2021;
- and in each case, not later than 17 April 2024.

Save as disclosed above, no options were granted, exercised, forfeited, cancelled or lapsed during the six months ended 30 September 2020.

16. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with its related parties during the reporting periods:

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental expense paid to a related company (<i>note (i)</i>)	<u>533</u>	<u>177</u>
Compensation of key management personnel (<i>note (ii)</i>)		
Salaries, allowances and other benefits	3,006	2,870
Contributions to defined contribution retirement plan	45	38
Equity-settled share-based payment expenses	<u>101</u>	<u>831</u>
	<u>3,152</u>	<u>3,739</u>

Notes:

- (i) The Group entered into a lease agreement of warehouse with Solaire International Limited (“Solaire”). Solaire 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.
- (ii) The compensation represents the remuneration paid and was payable to the directors and other members of key management during the reporting periods.
- (b) The amount due to a related company is unsecured, interest-free and repayable on demand.

17. CORONAVIRUS DISEASE 2019 OUTBREAK

Due to the outbreak of the COVID-19 epidemic in January 2020, a series of precautionary and control measures have been and continued to be implemented. It has impacted the global business environment. Up to the date of this financial statements, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of this financial statements, further changes in economic conditions may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

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 2020, the Group continued to implement our business strategy to solidify our position as a major medical device distributor in Hong Kong. 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. The Group achieved its business growth through diversifying the product portfolio.

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 COVID-19 outbreak, the number of visitor to Hong Kong had greatly reduced. The spending plans of our customer have been disrupted or postponed by the outbreak of COVID-19. The above may raise challenges on our customers' business. The Group will further 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 decreased by approximately 4.2%, from approximately HK\$32.0 million for the six months ended 30 September 2019 to approximately HK\$30.6 million for the six months ended 30 September 2020. The decrease was primarily attributable to the decrease in revenue generated from medical equipment, which was partially offset by the increase in revenue generated from medical consumables, resulting from growth sales of infection control products such as Surgical Drapes and Gowns.

Gross profit and gross profit margin

The Group recorded gross profit of approximately HK\$17.0 million for the six months ended 30 September 2020, as compared to approximately HK\$16.9 million for the six months ended 30 September 2019. Gross profit margin increased from approximately 52.8% for the six months ended 30 September 2019 to approximately 55.5% for the six months ended 30 September 2020. The increase in gross profit margin was mainly due to the increase in sales of medical consumables, which had a comparatively higher gross profit margin.

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, staff costs, travelling and entertainment expenses and other miscellaneous expenses.

Administrative and other operating expenses for the six months ended 30 September 2020 amounted to approximately HK\$11.6 million, representing an increase by approximately HK\$0.6 million or 4.8%, as compared to approximately HK\$11.0 million for the six months ended 30 September 2019. The increase was primarily attributable to the increase of workforce of the Group for the six months ended 30 September 2020.

Income tax expenses

Income tax expenses for the six months ended 30 September 2020 amounted to approximately HK\$1.1 million (six months ended 30 September 2019: approximately HK\$1.2 million).

Profit for the period

During the six months ended 30 September 2020, the Group recorded a profit of approximately HK\$5.7 million, as compared to the profit of approximately HK\$4.6 million for the six months ended 30 September 2019. The increase was primarily attributable to the increase in other income, which including an Employment support scheme government grant and the increase in gross profit.

DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2020, current assets amounted to approximately HK\$97.2 million (31 March 2020: approximately HK\$99.0 million). Current liabilities were approximately HK\$14.1 million (31 March 2020: approximately HK\$16.4 million).

As at 30 September 2020, the Group had total cash and bank balances of approximately HK\$65.0 million (31 March 2020: approximately HK\$70.6 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 2020 was nil (31 March 2020: 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 2020.

COMMITMENTS

As at 30 September 2020 and 31 March 2020, 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 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 30 September 2020, there was no significant investment held by the Group (31 March 2020: Nil).

CONTINGENT LIABILITIES

As at 30 September 2020, the Group had no material contingent liabilities (31 March 2020: 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

No Pledged bank deposits was placed in bank to secure the bank facilities of the Group as at 30 September 2020 and 31 March 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group has a total of 35 employees (31 March 2020: 33 employees). Staff costs, including Directors’ remuneration, of the Group were approximately HK\$6.8 million for the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$7.4 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 2020.

Business objectives as stated in the Prospectus

Further penetrate the medical device market and enhance the market share

Actual business progress up to 30 September 2020

The Group has been participating in various local and international trade shows, exhibitions including Hospital Authority Convention, Hong Kong International Medical and Healthcare Fair and Pediatric Society Annual Scientific Meeting.

The Group has re-designed and enhanced our website.

**Business objectives as stated
in the Prospectus**

**Actual business progress up to
30 September 2020**

Expand the workforce

The Group has recruited and retained seven product representatives, two engineers, one warehouse staff, two R&D staff, one administration staff, two marketing staff and one accounting staff.

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 two software engineer to strengthen our product research and development capability and researching certain medical and healthcare automation solutions.

Upgrade the information technology
systems

The Group has purchased some new hardware and software and engaged an independent consultant to implement an enterprise resources planning system and 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 has installed racks to fully utilise the vertical space of our warehouses.

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.

As at 30 September 2020, the net proceeds had been applied and utilised as follows:

	Net proceeds available <i>HK\$ million</i>	Utilised <i>HK\$ million</i>	Unutilised <i>HK\$ million</i>	Expected timeline of full utilisation of the balance
Further penetrate the medical device market and enhance the market share	6.1	0.6	5.5	By end of 31 March 2021
Expand the workforce	9.7	7.7	2.0	By end of 30 September 2021
Selectively pursue opportunities for strategic acquisitions	7.7	–	7.7	By end of 31 March 2022
Enhance the research and development and product development effort	1.3	0.1	1.2	By end of 30 September 2021
Upgrade the information technology systems	2.5	0.3	2.2	By end of 30 June 2021
Maximise the warehouse space, establish the showroom and upgrade the functionality of office space	2.1	0.4	1.7	By end of 31 March 2021
General working capital	1.8	1.8	–	N/A
	<u>31.2</u>	<u>10.9</u>	<u>20.3</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 discrepancy between the planned use of the net proceeds and the actual use mainly arose as a result of the actual market conditions affecting the Group after the listing. The continuing trade conflict between the U.S. and the PRC, the PRC's gradual economic slowdown and the recent outbreak of coronavirus (COVID-19) epidemic have presented the Group with uncertainties and multiple challenges, rendering the need for the Group to be prudent in implementing its future plans as set out in the Prospectus.

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.

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 2020.

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 2020.

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 2020.

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 2020, 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 2020, 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 and always 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.

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 2020, 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, 6 November 2020

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) for at least seven days from the date of its publication and the website of the Company (www.grandbrilliancegroup.com).