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GRAND TALENTS GROUP HOLDINGS LIMITED
廣駿集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8516)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

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*This announcement, for which the directors ("**the Directors**") of Grand Talents 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 Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The board of directors (the "**Board**") of Grand Talents Group Holdings Limited (the "**Company**") is pleased to present the audited consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2019 together with the comparative figures for corresponding year 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	**2019** *HK$'000*	2018 *HK$'000*
Revenue	3	**108,323**	91,764
Cost of sales		**(79,397)**	(65,926)
Gross profit		**28,926**	25,838
Other income		**191**	489
Other gains and losses		**1,355**	189
Administrative expenses		**(12,108)**	(6,183)
Impairment loss under expected credit loss model		**(4,892)**	—
Listing expenses		**(8,315)**	(8,681)
Share of result of a joint venture		**—**	(1,254)
Finance costs	4	**(564)**	(333)
Profit before taxation		**4,593**	10,065
Income tax expense	5	**(2,670)**	(3,211)
Profit and total comprehensive income for the year attributable to owners of the Company		**1,923**	6,854
Earnings per share			
— Basic *(HK cents)*	6	**0.46**	1.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	**2019** **HK$'000**	2018 *HK$'000*
Non-current assets			
Plant and equipment		**4,963**	1,205
Interest in a joint venture		**—**	—
		4,963	1,205
Current assets			
Amounts due from customers for contract works		**—**	3,612
Contract assets		**31,255**	—
Trade and other receivables	7	**60,686**	50,068
Amounts due from directors		**—**	1,886
Amount due from a joint venture		**—**	3,628
Tax recoverable		**489**	—
Bank balances and cash		**18,492**	842
		110,922	60,036
Current liabilities			
Trade and other payables	8	**13,013**	16,624
Amount due to a related party		**243**	64
Bank borrowings		**12,739**	2,743
Tax payable		**453**	4,502
Obligations under finance leases		**89**	227
Bank overdraft		**9,975**	—
		36,512	24,160
Net current assets		**74,410**	35,876
Total assets less current liabilities		**79,373**	37,081
Non-current liabilities			
Obligations under finance leases		**115**	204
Deferred tax liability		**528**	57
		643	261
Net assets		**78,730**	36,820
Capital and reserves			
Share capital		**4,800**	78
Reserves		**73,930**	36,742
Total equity		**78,730**	36,820

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note i)	Retained profits HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 2017	4,208	—	(2,751)	28,509	(7)	29,959
Profit and total comprehensive income for the year	—	—	—	6,854	—	6,854
Dividend recognised on distribution	—	—	—	(14,000)	—	(14,000)
Allotment of shares *(note 1(ii))*	6	13,994	—	—	—	14,000
Allotment of shares *(note 1(iv) and (v))*	64	—	(64)	—	—	—
Effect of the Reorganisation *(note 1(iv) and (v))*	(4,200)	—	4,200	—	—	—
Deregistration of a subsidiary	—	—	—	—	7	7
At 31 March 2018	**78**	**13,994**	**1,385**	**21,363**	**—**	**36,820**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**1,923**	**—**	**1,923**
Arising from the Reorganisation *(note ii)*	**(78)**	**(13,994)**	**14,072**	**—**	**—**	**—**
Issuance of shares upon initial public offering	**1,200**	**46,800**	**—**	**—**	**—**	**48,000**
Capitalisation issue of new shares	**3,600**	**(3,600)**	**—**	**—**	**—**	**—**
Expenses incurred in connection with issuance of new shares	**—**	**(8,013)**	**—**	**—**	**—**	**(8,013)**
At 31 March 2019	**4,800**	**35,187**	**15,457**	**23,286**	**—**	**78,730**

Notes:

(i) Other reserve represents (a) the deemed distribution to Ms. Wang Shen ("**Ms. Wang**"), mother of Mr. Ha, one of the Controlling Shareholders (as defined in note 1) and the directors, which arises from the differences between the fair values of the lower-than-market advances to each of them and the nominal amounts of the advances at initial recognition, and (b) share of deemed contribution of HK$1,011,000 by the non-controlling interest of Talent Tren Construction Limited ("**Talent Tren**") in respect of waiver of the amount due to Talent Mark Development Limited ("**TMD**") of the amount of HK$3,062,000 pursuant to a debt waiver agreement entered into between TMD and Talent Tren on 10 October 2016, and (c) the consideration in acquiring the entire equity interests of Talent Mart Construction Co., Limited ("**TMC**") and TMD by allotment and issuance of 4,000 and 4,200 ordinary shares with par value of US$1 each of China Talents Group Limited ("**China Talents**") to Talent Prime Group Limited ("**Talent Prime**") and the reclassification of share capital of TMD and TMC to other reserve, and (d) the reclassification of share capital of China Talents of HK$78,000 (equivalent to US$10,000) and share premium of China Talents of HK$13,994,000 to other reserve upon completion of the Reorganisation (as defined in note 1).

(ii) The amount represents the share capital and share premium of China Talents which is transferred to other reserve upon completion of the Reorganisation.

NOTES:

1. GROUP RESTRUCTURING AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands as an exempted company with limited liability on 23 October 2017. Its parent and ultimate holding company is Talent Prime, a limited liability company incorporated in the British Virgin Islands ("**the BVI**") on 5 July 2017. Its ultimate controlling parties are Mr. Ha Chak Hung ("**Mr. Ha**") and Mr. Ip Chu Shing ("**Mr. Ip**") who are also the directors of the Company.

The addresses of the registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1–1108, Cayman Islands and the principal place of business of the Company is located at Office 15, 9/F., Mega Cube, No.8 Wan Kwong Road, Kowloon, Hong Kong.

In preparation of the listing of the Company, the Group underwent a group reorganisation (the "**Reorganisation**"). Prior to the Reorganisation, the entire equity interests of TMD and TMC were beneficially owned by two individuals, namely Mr. Ha and Mr. Ip collectively as the controlling shareholders (the "**Controlling shareholders**"). The Controlling Shareholders have been controlling TMD and TMC on a collective basis on decision making process over, including but not limited to, financial, management and operational matter of TMD and TMC and they have always been acting in concert.

The Reorganisation comprises the following steps:

(i) Talent Prime was incorporated in the BVI with limited liability on 5 July 2017.

(ii) China Talents was incorporated in the BVI with limited liability on 17 February 2017. Upon incorporation, 500 and 500 fully paid ordinary shares with a par value of US$1 each of China Talents were allotted and issued at par to Mr. Ha and Mr. Ip, respectively. On 31 July 2017, China Talents further allotted and issued 100 fully-paid ordinary shares to Talent Prime at a cash consideration of HK$7,000,000. On 31 August 2017, upon the settlement of the consideration of HK$7,000,000 as criterion set out in the subscription agreement, Infinite Honor Limited ("**Infinite Honor**"), an independent third party, obtained the equity interest in relation to 700 ordinary shares of China Talents representing 7% of the issued share capital of China Talents, while the allotment and issuance of the respective shares was made on 24 October 2017. A supplemental agreement was entered into by China Talents and Infinite Honor on 31 December 2017, to clarify the transfer of equity interest to Infinite Honor on 31 August 2017, despite the shares of China Talents were subsequently allotted and issued on a later date.

(iii) The Company was incorporated in the Cayman Islands on 23 October 2017. On the date of incorporation, one fully-paid share was allotted and issued at par of HK$0.01 each to the initial subscriber to the Company, which was subsequently transferred to Talent Prime on 23 October 2017. On the same day, the Company allotted and issued 99 fully-paid shares to Talent Prime.

(iv) On 24 October 2017, China Talents acquired the entire equity interest of TMC from Mr. Ha and Mr. Ip in consideration of the allotment and issuance of 4,000 ordinary shares of China Talents, credited as fully paid, to Talent Prime. Upon completion, TMC became a wholly-owned subsidiary of China Talents.

(v) Prior to 16 August 2011, Mr. Ha holds one share in TMD. On 16 August 2011, Mr. Ha transferred his one share in TMD to Ms. Wang. On 20 June 2013, TMD allotted 2,099,999 ordinary shares to each of Mr. Ip and Ms. Wang (who held the shares as nominee for Mr. Ha), respectively. Pursuant to a confirmatory deed signed between Mr. Ha and Ms. Wang on 24 October 2017, Mr. Ha has beneficially owned 50% of the issued capital of TMD during the period from 16 August 2011 to 24 October 2017. On 24 October 2017, Ms. Wang transferred 2,100,000 ordinary shares representing 50% of the issued capital of TMD to Mr. Ha at a consideration of HK$1. On the same date, China Talents acquired the entire equity interest of TMD from Mr. Ha and Mr. Ip in consideration of (i) transfer of 500 and 500 ordinary shares of China Talents held by Mr. Ha and Mr. Ip, respectively to Talent Prime and, (ii) allotment and issuance of 4,200 ordinary shares of China Talents to Talent Prime. Upon completion, TMD became a wholly-owned subsidiary of China Talents.

(vi) On 21 September 2018, the Company was interspersed between Talent Prime and China Talents by acquiring 10,000 ordinary shares, representing entire equity interest of China Talents, in consideration of allotting and issuing 9,200 and 700 ordinary shares of the Company to Talent Prime and Infinite Honor, respectively.

Upon the completion of the above steps, Talent Prime became the ultimate holding company of the Company which is not forming part of the Company and its subsidiaries upon completion of the Reorganisation on 21 September 2018 (the "**Group**"). The Company became a holding company of the Group on the same date. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Since TMC and TMD were under common control by the Controlling Shareholders, the equity transfer of these companies as stated above, except for the subscription of interest of China Talents by Infinite Honor as stated in note (ii), have been accounted for as a business combination involving entries under common control using the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as if the transfers had been completed on 1 April 2017. Accordingly, the consolidated financial statements of the entities comprising the Group for the year ended 31 March 2018 and 2019 have been prepared as if the Company had always been the holding company of the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended 31 March 2018 and 2019 have been prepared to present the results, changes in equity and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the years ended 31 March 2018 and 2019.

The consolidated statement of financial position of the Group as at 31 March 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation had been in existence at those dates, taking into account the respective dates of incorporation, where applicable.

The shares of the Company have been listed on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 October 2018.

The Company is an investment holding company. The Group is principally engaged in provision of civil engineering construction works of road and highway related infrastructures and repair and maintenance works for structures of roads and highways.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as disclosed below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- civil engineering construction works
- repair and maintenance works

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018*
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Amounts due from customers for contract works	(a)	3,612	(3,612)	—
Contract assets	(a) & (b)	—	9,824	9,824
Trade and other receivables	(b)	50,068	(6,212)	43,856

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) At the date of initial application, unbilled revenue of HK$3,001,000 arising from the civil engineering construction projects and HK$611,000 arising from repair and maintenance projects are conditional on the satisfaction by the customers on the work completed by the Group and the work is pending for the certification by the customers, and such balance was reclassified from amounts due from customers for contract works to contract assets.

(b) At the date of initial application, retention receivables of HK$1,219,000 arising from the civil engineering construction projects and HK$4,993,000 arising from repair and maintenance projects are conditional until the expiry of defect liability period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from provision of civil engineering construction works and repair and maintenance works.

Disaggregation of revenue from contracts with customers

	2019
	HK$'000
Type of services	
Civil engineering construction works	**22,763**
Repair and maintenance works	**85,560**
	108,323

Performance obligations for contracts with customers

The Group provides civil engineering construction works and repair and maintenance works to customers. Such works are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the Group performs. Revenue is recognised for these contract works based on the stage of completion of the contract using output method. Contracts with the Group's customers are agreed in fixed-price.

The Group's contracts include payment schedules which require stage payments over the contract period once certain specified milestones are reached.

A contract asset is recognised over the period in which the contract services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the contract works. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the contract services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Transaction price allocated to the remaining performance obligation for contracts with customers

Transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) for contracts with customers that remain outstanding as at reporting date and the expected timing at recognising revenue is set out below:

	2019
	HK$'000
Civil engineering construction works	
— Within one year	**11,810**
— More than one year but not more than two years	**5,158**
	16,968

All provision of repair and maintenance works are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker ("**CODM**"), Mr. Ha and Mr. Ip, the executive directors, for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. Information reported to CODM is based on business line operated by the Group. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

(i) Civil engineering construction works — Provision of civil engineering construction works of road and highway related infrastructures

(ii) Repair and maintenance works — Provision of repair and maintenance works for structures of roads and highways

The Group's CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the Group's CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 March 2019

	Civil engineering construction works	**Repair and maintenance works**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue			
External sales	**22,763**	**85,560**	**108,323**
Segment results	**2,342**	**22,946**	**25,288**
Other income			**191**
Other gains and losses			**1,355**
Administrative expenses			**(12,108)**
Impairment loss on the loan to a joint venture			**(1,254)**
Listing expenses			**(8,315)**
Finance costs			**(564)**
Profit before taxation			**4,593**

For the year ended 31 March 2018

	Civil engineering construction works	Repair and maintenance works	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue			
External sales	16,560	75,204	91,764
Segment results	2,071	23,767	25,838
Other income			489
Other gains and losses			189
Administrative expenses			(6,183)
Listing expenses			(8,681)
Share of result of a joint venture			(1,254)
Finance costs			(333)
Profit before taxation			10,065

Segment results mainly represented gross profit earned by each segment without allocation of other income, other gains and losses, administrative expenses, impairment loss on the loan to a joint venture, listing expenses, share of result of a joint venture and finance costs. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Geographical information

The Group's operations are located in Hong Kong and all of the Group's revenue are derived from and non-current assets are located in Hong Kong.

Information about major customers

Revenue from customers for the year individually contributing over 10% of the Group's revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A[1]	**N/A[3]**	18,962
Customer B[1]	**23,666**	18,197
Customer C[1]	**N/A[3]**	16,426
Customer D[2]	**19,341**	15,452
Customer E[1]	**N/A[3]**	11,388
Customer F[1]	**39,700**	—

1 Revenue from repair and maintenance works.
2 Revenue from civil engineering construction works.
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on bank borrowings and bank overdraft	**534**	296
Interests on obligations under finance leases	**30**	37
	564	333

5. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current year	**2,199**	3,214
Deferred tax	**471**	(3)
	2,670	3,211

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. In addition, two subsidiaries of the Company operating in Hong Kong enjoyed tax concessions for year of assessment 2018/19, under which the Hong Kong Profits Tax was reduced by 75%, subject to a ceiling of HK$20,000 (2018: HK$30,000) per case.

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. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

6. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**1,923**	6,854

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**415,233**	349,506

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 April 2017.

No diluted earnings per share for both years were presented as there were no potential ordinary shares in issue for both years.

7. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**52,986**	37,737
Less: allowance for impairment loss	**(2,678)**	—
	50,308	37,737
Retention receivables	**—**	6,212
Other receivables, deposits and prepayments	**10,378**	3,429
Deferred listing expenses	**—**	2,690
Total trade and other receivables	**60,686**	50,068

Trade receivables

The Group recognises trade receivables upon issuance of payment application/invoice. The payment certificates will generally be issued by project employer one month to ten months after the issuance of payment application/invoice for billing purpose and the credit term granted to customers is generally 30 to 45 days from the date of issuance of payment application/invoice or payment certificate.

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to HK$50,308,000 and HK$37,737,000, respectively.

The following is an aged analysis of trade receivables, net of allowance for impairment loss, presented based on date of payment application/invoice at the end of each reporting period:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**12,858**	21,208
31–60 days	**10,361**	8,327
61–90 days	**7,251**	448
91–180 days	**9,096**	1,928
181–365 days	**8,857**	3,651
> 365 days	**1,885**	2,175
	50,308	37,737

The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on the good repayments records and continuous business relationship with those customers.

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$7,991,000 which are past due as at the reporting date. Out of the past due balances, HK$6,057,000 has been past due 180 days or more and is not considered as default due to long-term on-going relationship with and past payment history of these debtors.

As at 31 March 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$2,194,000 which are past due as at the reporting date for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history. No allowance for doubtful debt was made at 31 March 2018.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

The Group's trade receivables that are neither past due nor impaired related to customers for whom there was no recent history of default.

Aging of trade receivables which are past due but not impaired and are based on credit term granted to customers.

	2018 *HK$'000*
31–60 days	940
61–90 days	392
> 90 days	862
	2,194

Retention receivables

Retention receivables are unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts, ranging from 1 to 2 years from the date of the completion of the respective projects.

The following is an aged analysis of retention receivables which are to be settled, based on the expiry of the defects liability period, at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**—**	6,212

At 31 March 2018, the Group's retention receivables balances with aggregate carrying amount of HK$6,212,000 are not yet due. The Group did not hold any collateral over these balances. In determining the recoverability of retention receivables at 31 March 2018, the Group considers any change in the credit quality of the retention receivables from the date that credit was initially granted up to the end of the reporting period.

8. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**7,526**	11,251
Retention payables	**751**	656
Accrued expenses	**1,376**	430
Accrued payroll expenses	**3,360**	2,220
Accrued listing expenses and issue costs	**—**	2,061
Other payables	**—**	6
Total trade and other payables	**13,013**	16,624

Trade payables

The average credit period on trade payables is 30 days. The following is an aged analysis of trade payables presented based on the date of invoices/payment certificates at the end of each reporting period:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**2,683**	8,097
31–60 days	**794**	723
61–90 days	**946**	767
> 90 days	**3,103**	1,664
	7,526	11,251

Retention payables

The retention payables are to be settled within 1 year, based on the expiry of defects liability period, at the end of each reporting period.

The following is an aged analysis of retention payables presented based on the dates of invoices/payment certificates at the end of each reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**751**	656

BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works with over eight years of experience. The Group principally repairs and maintains structures of roads and highways in Hong Kong, with focus in Kowloon and Hong Kong Island. Since 2013, the Group has extended its services to civil engineering construction works including construction of sewerage, waterworks and barrier-free access facilities.

The Group has undertaken (i) repair and maintenance projects for roads and highways and other infrastructures such as slopes; and (ii) civil engineering construction projects. In respect of repair and maintenance projects, they are term contracts normally for a duration ranging from one to six years. As for the civil engineering construction works, the duration of the projects usually ranged from two to four years, depending on the complexity of the works undertaken. During the period under review, the Group has continued to focus on developing business of undertaking repair and maintenance works and civil engineering construction works in Hong Kong.

FINANCIAL REVIEW

Revenue

The Group's revenue principally represented income derived from civil engineering works such as management and maintenance of roads and highways in Hong Kong and construction projects.

The revenue of the Group increased by approximately 18.0% from approximately HK$91.8 million for the year ended 31 March 2018, to approximately HK$108.3 million for the year ended 31 March 2019. Such increase is mainly attributable to the commencement of one new repair and maintenance project with an aggregate revenue recognised of approximately HK$39.7 million during the year ended 31 March 2019.

Cost of sales

The cost of sales primarily consists of staff costs, sub-contracting fees, and construction materials and supplies. The cost of sales increased by approximately 20.5% from approximately HK$65.9 million for the year ended 31 March 2018 to approximately HK$79.4 million for the year ended 31 March 2019, which was mainly attributable to the commencement of one new repair and maintenance project.

Gross profit and gross profit margin

The gross profit was approximately HK$25.8 million and HK$28.9 million for the year ended 31 March 2018 and 2019 respectively. The gross profit margin was 28.2% and 26.7% respectively. The increase in our gross profit and decrease in gross profit margin was primarily due to (i) the increase in revenue deliver by the new repair and maintenance project mentioned above and (ii) the Group recorded a decrease in total sub-contracting fees as the Group undertook a higher proportion of works orders by itself.

Other income

The Group recorded other income of HK$191,000 during the year ended 31 March 2019 (year ended 31 March 2018: HK$489,000).

The decrease was due to no imputed interest income on amounts due from a related party and our Directors during the year ended 31 March 2019.

Administrative expenses

Administrative expenses consist primarily of auditors' remunerations, depreciation, directors' remuneration, entertainments, legal and professional fee, motor vehicles expenses, and staff costs. The administrative expenses increased by approximately 95.2% from approximately HK$6.2 million for the year ended 31 March 2018 to approximately HK$12.1 million for the year ended 31 March 2019. The increase was mainly due to the increase in staff costs of approximately HK$13.5 million and the increase in directors' remuneration due to the increased number of directors.

Finance costs

The finance costs increased by approximately 69.4% from approximately HK$333,000 for the year ended 31 March 2018 to HK$564,000 for the year ended 31 March 2019. The increase was mainly due to the increase in bank borrowings.

Income tax

Income tax represents income tax paid or payable by us, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction our Group operates or domiciles. We had no tax payable in other jurisdiction other than Hong Kong during the years ended 31 March 2018 and 2019. Our operations in Hong Kong are subject to the two-tiered profits tax rate regime, which the first HK$2 million of profits of qualifying entity will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%. It recorded income tax of approximately HK$2.7 million during the year ended 31 March 2019, as compared to approximately HK$3.2 million in the year ended 31 March 2018.

Profit for the period

As a result of the foregoing, the profit decreased from approximately HK$6.9 million for the year ended 31 March 2018 to approximately HK$1.9 million for the year ended 31 March 2019. Such decrease was mainly due to increase of impairment loss on contract assets and trade receivables. The decrease was partially offset by increase gross profit.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources and capital structure

The Group has been maintaining its corporate finance and risk management during the period under review.

As at 31 March 2019, the Group had net current assets of approximately HK$74.4 million (as at 31 March 2018: approximately HK$35.9 million), of which cash and cash equivalents were approximately HK$18.5 million. The Group's current ratio as at 31 March 2019 is 3.0 times (as at 31 March 2018: 2.5 times). The gearing ratio as at 31 March 2019 was 29.1% (as at 31 March 2018: 8.6%) which is calculated on the basis of the Group's all interest-bearing borrowings, obligations under finance leases and bank overdraft over the total equity.

Total bank overdraft, bank borrowings and obligations under finance lease for the Group amounted to approximately HK$22.9 million as at 31 March 2019 (as at 31 March 2018: approximately HK$3.2 million). As at 31 March 2019, bank borrowings in the amounts of approximately HK$12.7 million are due within one year while nil are due after one year.

The Group adopts centralised financing and treasury policies in order to ensure its funding is utilized efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 15 October 2018 ("**Listing Date**"). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this announcement.

CAPITAL EXPENDITURE

Capital expenditure primarily comprised of purchase of construction equipment, furniture fixtures and equipment, computers and motor vehicles. The capital expenditure was funded by net proceeds from the Listing, internal resources, finance leases and bank borrowings during the year ended 31 March 2019.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liability (31 March 2018: nil).

COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases payable within one year amounted to HK$65,000 as at 31 March 2019 (as at 31 March 2018: HK$311,000), while the total future minimum lease payments under non-cancellable operating leases payable after one year but within five years amounted to HK$nil (as at 31 March 2018: HK$65,000).

USE OF PROCEEDS

Based on the Offer Price of HK$0.40 per Offer Share and 120,000,000 Shares offered by the Company, the net proceeds from the Share Offer received by the Company, after deducting the underwriting fees and commissions and estimated expenses paid and payable by the Company in relation to the Share Offer, are approximately HK$23.5 million. Such net proceeds are intended to be or have been applied for the purposes of (i) acquisition of additional machinery and equipment; (ii) strengthening our manpower; (iii) strengthening our financial capabilities; and (iv) working capital.

Details of the Group's intended use of the net proceeds from the Share Offer are set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

	Planned use of the net proceeds up to 31 March 2019 *(HK$ million)*	Actual use of the net proceeds up to 31 March 2019 *(HK$ million)*
Acquisition of additional machinery and equipment	6.1	4.1
Strengthening our manpower	2.8	1.2
Strengthening our financial capabilities:		
(i) Surety bond for the tender of new projects	3.0	—
(ii) Surety bond for a project	2.0	—
Working capital	3.2	3.2
Total:	17.1	8.5

The business objectives, implementation plans and planned use of proceeds were based on the estimation and assumption of future market conditions made by the Group for the purpose of Listing. The actual use of proceeds was based on the Group's business operations and development.

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

The Company was listed on GEM on 15 October 2018. During the period from 15 October 2018 to 31 March 2019 (the "**Relevant Period**"), the Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the Prospectus. The Group will endeavor to achieve the milestone events as stated in the Prospectus.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019.

FOREIGN CURRENCY EXPOSURE

Since the Group's business activities are solely operated in Hong Kong and mainly denominated in Hong Kong dollars, the Directors consider that the Group's risk in foreign exchange is insignificant.

SIGNIFICANT INVESTMENT

At 31 March 2019, the Group did not hold any significant investment.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive directors namely, Ms. Tang Shui Man (Chairman), Mr. Yuk Kai Yao and Dr. Fok Wai Sun. During the year, the audit committee held two meetings to review the Group's half year report and quarterly reports. The Group's annual results for the year ended 31 March 2019 have been reviewed by the audit committee.

CORPORATE GOVERNANCE PRACTICES

Pursuant to Code Provision E.1.5 in the Corporate Governance Code and Corporate Governance Report (the "**Code**") set out in Appendix 15 to the GEM Listing Rules (the "**LR**"), the Company is required to have a dividend policy and disclose such policy in its annual report. Also pursuant to Mandatory Disclosure Requirement L.(d)(ii) of the Code and LR 17.104, the Company is required to have a policy for nomination of directors and board diversity policy and disclose such policies in the Company's corporate governance report. The Company has not adopted the aforesaid policies.

Save as disclosed above, the Company complied with Code of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2019.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive Director has entered into a service agreement with the Company for initially a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party, except Mr. Han Shengjun has entered into a service agreement with the Company for initially a fixed term of, one year from 29 April 2019 and will continue thereafter until terminated by either party giving not less than one month's written notice to the other party.

The service agreements and/or letters of appointment of the Directors are subject to termination in accordance with their respective terms. They can be renewed in accordance with the articles of association of the Company ("**Articles**") and the applicable GEM Listing Rules.

As required under the Articles, Directors are subject to election by the Shareholders at the first general meeting after their appointment by the board of directors. At each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Also, the Directors to retire by rotation shall include any Director who wishes to retire and not to hold office himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment, and between persons who became or were last re-elected Directors on the same day, those to retire shall be determined by lot.

In accordance with code provision A.4.2. of the CG Code, every director including those appointed for a specific term shall be subject to retirement by rotation at least once every three years.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors have complied with such code of conduct and the required standard of dealings regarding directors' securities throughout the year ended 31 March 2019.

By Order of the Board
Grand Talents Group Holdings Limited
Ha Chak Hung
Chairman

Hong Kong, 27 June 2019

As at the date of this announcement, the Board of the Company comprises three executive Directors, namely Mr. Ha Chak Hung, Mr. Ip Chu Shing and Mr. Han Shengjun, one non-executive Director, namely Mr. Lau Yik Lok, and three independent non-executive Directors, namely Ms. Tang Shui Man, Dr. Fok Wai Sun and Mr. Yuk Kai Yao.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at ***www.hkgem.com*** *for a minimum period of 7 days from the date of its publication and on the Company's website at* ***www.grandtalentsgroup.com.hk****.*