



廣駿
集團

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

INTERIM
REPORT
2018



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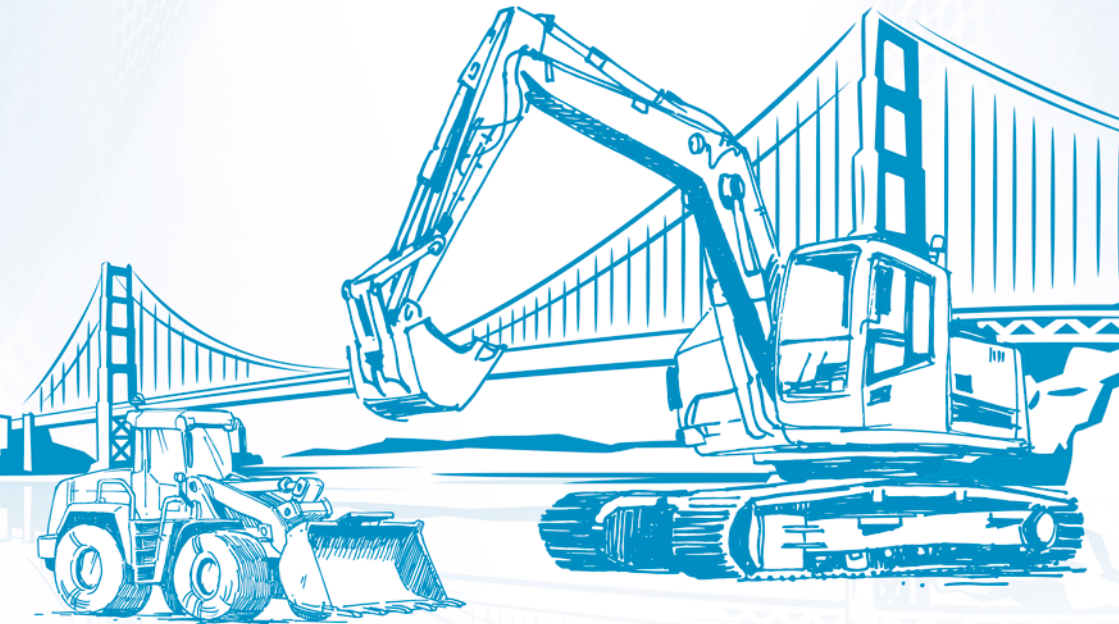
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*This report, for which the directors (the “**Directors**”) of Grand Talents Group Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars 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 enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ha Chak Hung (*Chairman*)
Mr. Ip Chu Shing (*Chief Executive Officer*)

Non-executive Director

Mr. Lau Yik Lok

Independent Non-executive Directors

Ms. Tang Shui Man
Dr. Fok Wai Sun
Mr. Yuk Kai Yao

AUDIT COMMITTEE

Ms. Tang Shui Man (*Chairman*)
Dr. Fok Wai Sun
Mr. Yuk Kai Yao

REMUNERATION COMMITTEE

Dr. Fok Wai Sun (*Chairman*)
Ms. Tang Shui Man
Mr. Yuk Kai Yao
Mr. Ha Chak Hung

NOMINATION COMMITTEE

Mr. Yuk Kai Yao (*Chairman*)
Ms. Tang Shui Man
Dr. Fok Wai Sun
Mr. Ha Chak Hung

COMPANY SECRETARY

Ms. Ho Siu Pik, *HKICS, ICSA*

AUTHORISED REPRESENTATIVES

Mr. Ha Chak Hung
Ms. Ho Siu Pik

COMPLIANCE OFFICER

Mr. Ha Chak Hung

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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CORPORATE INFORMATION

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKER

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COMPLIANCE ADVISER

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COMPANY'S WEBSITE

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STOCK CODE

8516



HIGHLIGHTS

HIGHLIGHTS

- The revenue of the Group was approximately HK\$49.5 million for the six months ended 30 September 2018 representing an increase from approximately HK\$33.4 million for the same period ended 30 September 2017. Such increase was mainly due to the commencement of one new management and maintenance of roads (regional and structural) project.
- The gross profit was approximately HK\$14.3 million for the six months ended 30 September 2018, representing an increase from approximately HK\$9.0 million for the six months ended 30 September 2017. Such increase was mainly due to the increase in revenue.
- The profit attributable to owners of the Company decreased to approximately HK\$0.8 million for the six months ended 30 September 2018, as compared to approximately HK\$3.5 million recorded for the same period ended 30 September 2017. Such decrease was mainly due to the increase in listing expenses. The decrease was partially offsetted by the increase in gross profit.
- The board of directors of the Company (the “**Board**”) does not recommend the payment of an interim dividend for the six months ended 30 September 2018. On 30 September 2017, an interim dividend of HK\$7 million was recognized as distribution by Talent Mark Development Limited to its then shareholders namely, Mr. Ha Chak Hung and Mr. Ip Chu Shing. On 30 March 2018, an interim dividend of HK\$7 million was recognised as distribution by China Talents Group Limited, which is a direct wholly-owned subsidiary of the Company, to its shareholders at that date namely Talent Prime Group Limited and Infinite Honor Limited. On the same date, Infinite Honor Limited waived its rights to such dividend of HK\$490,000 and agree that Talent Prime Group Limited shall be entitled to Infinite Honor Limited’s share of such dividend.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 September 2018 (together with the comparative unaudited figures for the corresponding period in 2017) as follows:

	Notes	Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	49,484	33,379
Cost of sales		(35,193)	(24,429)
Gross profit		14,291	8,950
Other income		20	257
Other gains and losses		(478)	172
Administrative expenses		(4,040)	(2,193)
Listing expenses		(7,311)	(2,450)
Finance costs		(154)	(84)
Profit before taxation		2,328	4,652
Income tax expense	5	(1,561)	(1,128)
Profit and total comprehensive income for the period, attributable to owners of the Company	6	767	3,524
		HK cents	HK cents
Earnings per share:			
Basic	8	0.21	0.98



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
ASSETS			
Non-current asset			
Plant and equipment	9	1,133	1,205
		1,133	1,205
Current assets			
Amounts due from customers for contract works		—	3,612
Contract assets	10	7,271	—
Trade and other receivables	11	59,018	50,068
Amounts due from directors	12	1,874	1,886
Amount due from a joint venture	12	—	3,628
Bank balances and cash		3,537	842
		71,700	60,036
Current liabilities			
Trade and other payables	13	21,670	16,624
Amount due to a related party	12	—	64
Bank borrowings	14	7,837	2,743
Tax payable		5,247	4,502
Obligations under finance leases	15	208	227
		34,962	24,160
Net current assets		36,738	35,876
Total assets less current liabilities		37,871	37,081

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Non-current liabilities			
Obligations under finance leases	15	227	204
Deferred tax liabilities		57	57
		284	261
Net assets		37,587	36,820
Capital and reserve			
Share capital		—*	78
Reserves		37,587	36,742
Equity attributable to owners of the Company		37,587	36,820
Non-controlling interests		—	—
Total equity		37,587	36,820

* Less than HK\$1,000



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to equity shareholders of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital contribution HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Retained profits HK\$'000	Non- controlling interest HK\$'000	
At 31 March 2017 (audited)	4,208	—	—	(2,751)	28,509	(7)	29,959
Profit and total comprehensive income for the period	—	—	—	—	3,524	—	3,524
Dividend recognised on distribution (note 7)	—	—	—	—	(7,000)	—	(7,000)
Allotment of shares (note 16)	1	6,999	—	—	—	—	7,000
Deregistration of a subsidiary	—	—	—	—	—	7	7
Capital contribution from Infinite Honor Limited ("Infinite Honor")	—	—	7,000	—	—	—	7,000
At 30 September 2017 (unaudited)	4,209	6,999	7,000	(2,751)	25,033	—	40,490
At 31 March 2018 (audited)	78	13,994	—	1,385	21,363	—	36,820
Profit and total comprehensive income for the period	—	—	—	—	767	—	767
Arising from the Reorganisation (Note iii)	(78)	—	—	78	—	—	—
At 30 September 2018 (unaudited)	—*	13,994	—	1,463	22,130	—	37,587

* Less than HK\$1,000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

Notes:

- (i) Capital contribution represents capital contribution from Infinite Honor Limited ("**Infinite Honor**"), an independent third party. On 1 August 2017, China Talents Group Limited ("**China Talents**") and Infinite Honor entered into a shares subscription agreement (the "**Subscription Agreement**"), pursuant to which Infinite Honor made a capital contribution of HK\$7,000,000 for 700 new ordinary shares to be allotted and issued by China Talents. On 31 August 2017, upon fulfilment of the completion criterion set out in the Subscription Agreement, Infinite Honor obtained the equity interest in relation 700 ordinary shares of China Talents and is entitled to any dividends and distributions declared, made or paid since then while the allotment and issuance of the respective shares was subsequently made on 24 October 2017.
- (ii) Other reserve represents (a) the deemed distribution to Ms. Wang Shen ("**Ms. Wang**"), mother of Mr. Ha Chak Hung, one of the Controlling Shareholders as defined in note 2, 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, (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., Ltd. ("**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 to Talent Prime and the reclassification of share capital of TMD and TMC to other reserve.
- (iii) The amount represents the share capital of China Talents which is transferred to other reserve upon completion of the Reorganisation (as defined below).



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	(Unaudited)	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	(2,038)	7,162
Investing activities		
Advance to directors	—	(3,937)
Purchase of plant and equipment	(223)	(3)
Proceeds from disposal of plant and equipment	—	189
Repayment from directors	12	612
Interest received	1	10
Net cash used in investing activities	(210)	(3,129)
Financing activities		
Repayment of bank borrowings	(1,736)	(956)
Repayment of obligation under finance leases	(146)	(107)
Interest paid	(154)	(84)
Issue costs paid	—	(664)
New bank borrowings raised	6,829	4,507
New finance leases	150	—
Proceeds from allotment of shares	—	3,500
Capital contribution from Infinite Honor	—	7,000
Net cash from financing activities	4,943	13,196
Net increase in cash and cash equivalents	2,695	17,229
Cash and cash equivalents at the beginning of the period	842	1,294
Cash and cash equivalents at the end of the period	3,537	18,523

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 under the Companies Law of the Cayman Islands as an exempted company with limited liability on 23 October 2017. Its parent and ultimate holding company is Talent Prime Group Limited ("**Talent Prime**"), a limited liability company incorporated in the British Virgin Islands (the "**BVI**") on 5 July 2017 which are wholly-owned by Mr. Ha Chak Hung ("**Mr. Ha**") and Mr. Ip Chu Shing ("**Mr. Ip**").

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

The Shares of the Company (the "**Share(s)**") were listed on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of share offer (the "**Listing**") on 15 October 2018 (the "**Listing Date**").

The condensed consolidated financial statement have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 Talent Mark Development Limited (“**TMD**”) and Talent Mart Construction Co., Limited (“**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. Upon incorporation, 50 and 50 fully-paid ordinary shares with a par value of United States Dollar (“**US**”) 1 each of Talent Prime were allotted and issued at par to Mr. Ha and Mr. Ip, respectively.
- (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 fulfillment of the completion criterion set out in the Subscription Agreement, Infinite Honor, an independent third party, obtained the equity interest in relation to 700 ordinary shares of China Talents, while the allotment and issuance of the respective shares was made on 24 October 2017.
- (iii) Talent Tren Construction Limited (“**Talent Tren**”) was inactive and deregistered on 14 July 2017.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- (iv) The Company was incorporated in the Cayman Islands on 23 October 2017. On the date of incorporation, 100 ordinary shares, representing the entire issued share capital of the Company were allotted and issued at par and allotted to Talent Prime.
- (v) 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.
- (vi) 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 and TMD allotted and issued one share to Mr. Ip. 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.
- (vii) On 21 September 2018, the Company acquired 10,000 ordinary shares of China Talents, representing the entire equity interest of China Talent, in consideration of which the Company allotted and issued 9,200 and 700 ordinary shares of the Company to Talent Prime and Infinite Honor, respectively. Upon completion of the transfer, China Talents became a wholly-owned subsidiary of the Company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Upon the completion of the above steps, Talent Prime became the ultimate holding company of the Company which is not forming part of the Group. The Company became a holding company of the companies now comprising the Group on 21 September 2018. 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 HKICPA as if the transfers had been completed on 1 April 2017. Accordingly, the condensed consolidated financial statements of the entities comprising the Group for the six months ended 30 September 2017 and 2018 have been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the six months ended 30 September 2017 and 2018 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 six months ended 30 September 2017 and 2018, or since their dates of incorporation, where there is a shorter period.

The combined statements of financial position of the Group as at 31 March 2018 and 30 September 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than described as below and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group’s annual financial information for the year ended 31 March 2018 as stated in the accountant’s report included in the prospectus dated 29 September 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group’s condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. 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*, HKAS 11 *Construction Contracts* and related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 *(continued)*

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 *(continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(continued)*

3.1.2 Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no impact to the timing and amounts of revenue recognised for civil engineering construction works of roads and highway related infrastructures and repair and maintenance works for structures of roads and highways in current and prior interim period. The transition of HKFRS 15 has no impact on retained profits at 1 April 2018.

The following adjustments were made to the amounts recognised in the condensed 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 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018* HK\$'000
Condensed consolidated statement of financial position (extracted)				
Current assets				
Amounts due from customers for contract works		3,612	(3,612)	—
Contract assets	(a)	—	9,824	9,824
Trade and other receivables	(a)	50,068	(6,212)	43,856

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

3.1.2 Summary of effects arising from initial application of HKFRS 15 (continued)

Note:

- (a) In relation to contracts including civil engineering construction works for roads and highway related infrastructures previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. HK\$3,612,000 and HK\$6,212,000 of amounts due from customers for contract work and the retention receivables included in trade and other receivables for those contracts not completed as at 1 April 2018 were reclassified to contract assets.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000
Impact on the condensed consolidated statement of financial position			
Current assets			
Trade and other receivables	59,018	2,102	61,120
Contract assets	7,271	(7,271)	—
Amounts due from customers for contract works	—	5,169	(5,169)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(continued)*

3.1.2 Summary of effects arising from initial application of HKFRS 15 *(continued)*

The application of HKFRS 15 has no impact to the condensed consolidated statement of profit or loss and other comprehensive income, net cash flow from/(used in) operating, investing and financing activities on the condensed consolidated statement of cash flows for the current interim period.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and contract assets and 3) general hedge accounting.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments *(continued)*

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments *(continued)*

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, retention receivables, other receivables, contract assets, amounts due from directors, amount due from a joint venture, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments *(continued)*

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Impairment under ECL model (continued)

The Group always recognises lifetime ECL for trade receivables, retention receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments *(continued)*

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments *(continued)*

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments *(continued)*

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Measurement and recognition of ECL (continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, retention receivables, contract assets and amount due from a joint venture where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3.2.2 Summary of effects arising from initial application of HKFRS 9

As at 1 April 2018, no additional credit loss allowance has been recognised against accumulated profits.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 March 2018 HK\$'000 (audited)	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	1 April 2018 HK\$'000 (restated)
Non-current assets (with no adjustments)	1,205	—	—	1,205
Current assets				
Amounts due from customers for contract works	3,612	(3,612)	—	—
Contract assets	—	9,824	—	9,824
Trade and other receivables	50,068	(6,212)	—	43,856
Amount due from directors	1,886	—	—	1,886
Amount due from a joint venture	3,628	—	—	3,628
Bank balances and cash	842	—	—	842
	60,036	—	—	60,036
Current liabilities				
Trade and other payables	16,624	—	—	16,624
Others with no adjustments	7,536	—	—	7,536
	24,160	—	—	24,160

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards *(continued)*

	31 March 2018 HK\$'000 (audited)	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	1 April 2018 HK\$'000 (restated)
Net current assets	35,876	—	—	35,876
Total assets less current liabilities	37,081	—	—	37,081
Non-current liabilities				
Obligations under finance leases	204	—	—	204
Deferred tax liabilities	57	—	—	57
	261	—	—	261
Net assets	36,820	—	—	36,820
Capital and reserves				
Share capital	78	—	—	78
Reserves	36,742	—	—	36,742
Total equity	36,820	—	—	36,820



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue		
The Group's revenue is analysed as follows:		
Repair and maintenance works	39,366	25,290
Civil engineering construction works	10,118	8,089
	49,484	33,379

Segment reporting

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker (“**CODM**”), Mr. Ha and Mr. Ip, the Controlling Shareholders, 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 make decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presents 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment reporting *(continued)*

Six months ended 30 September 2018 (Unaudited)

	Civil engineering construction HK\$'000	Repair and maintenance works HK\$'000	Total HK\$'000
Segment revenue			
External sales	10,118	39,366	49,484
Segment results	2,147	12,144	14,291
Other income			20
Other gains and losses			(478)
Administrative expenses			(4,040)
Listing expenses			(7,311)
Finance costs			(154)
Profit before taxation			2,328

Six months ended 30 September 2017 (Unaudited)

	Civil engineering construction HK\$'000	Repair and maintenance works HK\$'000	Total HK\$'000
Segment revenue			
External sales	8,089	25,290	33,379
Segment results	1,852	7,098	8,950
Other income			257
Other gains and losses			172
Administrative expenses			(2,193)
Listing expenses			(2,450)
Finance costs			(84)
Profit before taxation			4,652



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Hong Kong Profits Tax		
— Current period	1,561	1,109
Deferred taxation	—	19
	1,561	1,128

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during both periods.

6. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting):		
Directors' remunerations	606	200
Other staff costs:		
Salaries and other allowances	12,146	5,765
Retirement benefit scheme contributions	499	252
Total staff costs	13,251	6,217
Auditor's remuneration	442	300
Minimum operating lease rentals in respect of office premises	148	75
Depreciation of plant and equipment	456	448
Imputed interest income on amount due from a related party and directors	—	(247)
Bank interest income	(1)	(10)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

7. DIVIDEND

On 30 September 2017, an interim dividend of HK\$7 million was recognised as distribution by TMD to its then shareholders namely, Mr. Ha and Mr. Ip.

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

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the six months ended 1 April 2017 of 360,000,000 (for the six months ended 30 September 2017: 360,000,000) on the assumption that the Reorganisation and the Capitalisation Issue of 359,990,000 ordinary shares of HK\$0.01 each of the Company on 15 October 2018 had been completed on 1 April 2017:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earning:		
Earnings for the purpose of basic earnings per share	767	3,524
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	360,000	360,000

No diluted earnings per share are presented for both periods as there were no potential ordinary share outstanding.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

9. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired approximately HK\$1.1 million (six months ended 30 September 2017: approximately 1.2 million) of plant and equipment. In addition, the Group disposed of certain plant and equipment with an aggregate carrying amount of zero (six months ended 30 September 2017: approximately HK\$23,000) for cash proceeds of zero (six months ended 30 September 2017: approximately HK\$189,000), resulting in a gain/(loss) on disposal of HK\$(478,000) (six months ended 30 September 2017: approximately HK\$166,000).

10. CONTRACT ASSETS

	30 September 2018 HK\$'000 (Unaudited)
Civil engineering construction works	4,518
Repair and maintenance works	2,753
	7,271

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date and retention receivables which are to be settled upon the expiry of the defects liability period. The contract assets are transferred to trade receivables when the rights become unconditional, i.e. when the Group bills the customer at the time the specified milestones are achieved and certified or upon expiry of defects liability period.

Allowance for impairment

No allowance for impairment in respect of contract assets during the current interim period was recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Trade receivables	49,456	37,737
Retention receivables	3,919	6,212
Other receivables, deposits and prepayments	2,953	3,429
Deferred listing expenses	2,690	2,690
	59,018	50,068

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. In addition, for construction contracts, the Group allows 1-10% of total contract price as retention, which are normally due at the end of the defects liability period, ranging from 1 to 2 years from the date of completion of the respective projects.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables

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

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
0–30 days	15,199	21,208
31–60 days	8,941	8,327
61–90 days	3,873	448
Over 90 days	21,443	7,754
	49,456	37,737

Allowance for impairment

Included in the Group's trade receivables as at 31 March 2018 and 30 September 2018 are debtors with aggregate carrying amount of HK\$2,194,000 and HK\$9,271,000 respectively, which are past due at the end of each reporting period 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.

Retention receivables

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 each reporting period:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Within one year	3,919	6,212

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

12. AMOUNTS DUE FROM (TO) DIRECTORS/A JOINT VENTURE/A RELATED PARTY

The Group

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Amounts due from directors (note a)		
Mr. Ha	960	972
Mr. Ip	914	914
	1,874	1,886
Amount due to a related party (note b)		
Kaiser Global (China) Company Limited ("Kaiser Global")	—	64
Amounts due from a joint venture (note c)	—	3,628

Note:

- a. The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.
- b. Kaiser Global is controlled by a sister of Mr. Ha, a director of the Company. The amount is trade in nature, interest-free, repayable on demand and has a credit term of 30 days.
- c. The amount were non-trade in nature, unsecured, interest free and repayable on demand.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

13. TRADE AND OTHER PAYABLES

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Trade payables	9,797	11,251
Retention payables	704	656
Accrued expenses	—	430
Accrued payroll expenses	1,841	2,220
Accrued listing expenses	9,328	2,061
Other payable	—	6
	21,670	16,624

Trade payables

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
0–30 days	4,123	8,097
31 to 60 days	1,107	723
61 to 90 days	854	767
Over 90 days	3,713	1,664
	9,797	11,251

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

13. TRADE AND OTHER PAYABLES *(continued)*

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:

	30 September 2018 HK\$'000	31 March 2018 HK\$'000 (Audited)
Within one year	704	656

14. BANK BORROWINGS

During the six months ended 30 September 2018, the Group had repaid bank loans amounting to HK\$1.7 million (for the six months ended 30 September 2017: HK\$1.0 million).

15. OBLIGATIONS UNDER FINANCE LEASES

The Group leased its motor vehicles under finance leases with terms of five years during the Reporting Period. The effective interest rates were 6.90% and 6.90% per annum during the six months ended 30 September 2018 and year ended 31 March 2018, respectively. Interest rates are fixed at respective contract dates.

During the six months ended 30 September 2018, the Group had repaid finance leases amounting to HK\$146,000 (for the six months ended 30 September 2017: HK\$107,000).

As at 31 March 2018, the Group's obligations under finance leases of HK\$80,000 were guaranteed by Mr. Ip.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16. SHARE CAPITAL

The Group

On 23 October 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation of the Company, 100 shares of HK\$0.01 each were issued to Talent Prime for cash consideration of HK\$1.

The share capital as at 31 March 2018 represented the combined issued share capital of following companies:

	As at 31 March 2018 HK\$'000
The Company	—*
China Talents	78
	78

* *Less than HK\$1,000*

The share capital as at 30 September 2018 represented the share capital of the Company.

On 31 July 2017, China Talents allotted and issued 100 ordinary shares with par value of US\$1 each to Talent Prime for cash consideration of HK\$7,000,000.

In addition, pursuant to the Subscription Agreement signed on 1 August 2017, Infinite Honor made a capital contribution of HK\$7,000,000 for 700 new ordinary shares allotted and issued by China Talents. On 31 August 2017, upon fulfillment of the completion criterion set out in the Subscription Agreement, Infinite Honor obtained the equity interest in relation to 700 ordinary shares of China Talents with a par value of US\$1 each, while the allotment and issuance of the respective shares was made on 24 October, 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

17. EVENTS AFTER THE REPORTING PERIOD

On 24 October 2017, China Talents allotted and issued 4,000 and 4,200 Ordinary Shares with par value of US\$1 each to Talent Prime for the acquisition of entire equity interests of TMC and TMD, representatively. The share capital of TMC and TMD were reclassified to other reserve upon the Reorganisation.

On 21 September 2018, our existing Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$10,000,000 by the creation of 962,000,000 additional Shares, HK\$0.01 each, ranking pari passu with the Shares then in issue in all respects.

Conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$3,599,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 359,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 21 September 2018 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions.

Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 480,000,000 Shares will be issued fully paid or credited as fully paid, and 520,000,000 Shares will remain unissued.



MANAGEMENT DISCUSSION AND ANALYSIS

Unless otherwise stated, the capitalized terms used in this report shall have the same meaning as those used in the prospectus of the Company (“**Prospectus**”) dated 29 September 2018.

BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works with eight years of experience. The Group principally repair and maintain 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. The Group has submitted two tenders for civil engineering construction projects pending acceptance. Our Directors expect to receive the tender results in around December 2018.

We achieved a slight increase in revenue as a result of the addition of a new management and maintenance of roads (regional and structural works) project during the six months ended 30 September 2018.

FUTURE PROSPECTS

Risk management and internal control

The Board has overall responsibility for the effective risk management and internal control systems of the Group and is committed to the maintenance of good corporate governance, practices and procedures of the Group. The Board believes that all the major risk factors relevant to the Group have already been listed in the section headed “Industry Overview” of the Prospectus.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2018 and the date of this report, save as disclosed otherwise, the business environment and regulatory environment in which the Group operates have not witnessed any material change, and internal operations and management and financial operations have been running smoothly, and thereby no other major risk factors need to be disclosed separately. In accordance with the revised Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules, the Group continuously improves the risk management and internal control systems. The Board believes that these measures will strengthen the risk management and internal control systems of the Group.

Compliance

The Group was not involved in any claim, lawsuit, litigation or arbitration of material nature and, was not aware of any incidents of non-compliance with the applicable laws and regulations as at the date of this report. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those which have significant impact on the Group. The Company is not aware of the occurrence of any other material non-compliance incidents during the six months ended 30 September 2018.

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 48.2% from approximately HK\$33.4 million for the six months ended 30 September 2017, to approximately HK\$49.5 million for the six months ended 30 September 2018. Such increase is mainly attributable to the commencement of one new repair and maintenance project with an aggregate revenue recognised of approximately HK\$18.5 million during the period ended 30 September 2018.

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 44.3% from approximately HK\$24.4 million for the six months ended 30 September 2017 to approximately HK\$35.2 million for the six months ended 30 September 2018, which was mainly attributable to the commencement of one new repair and maintenance project.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The gross profit was approximately HK\$9.0 million and HK\$14.3 million for the six months ended 30 September 2017 and 2018 respectively. The gross profit margin was 26.8% and 28.9% respectively. The increase in our gross profit and gross profit margin was primarily due to (i) the increase in revenue 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\$20,000 during the six months ended 30 September 2018 (six months ended 30 September 2017: HK\$257,000).

The decrease was due to no imputed interest income on amounts due from a related party and our Directors during the six months ended 30 September 2018.

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 81.2% from approximately HK\$2.2 million for the six months ended 30 September 2017 to approximately HK\$4.0 million for the six months ended 30 September 2018. The increase was mainly due to the increase in staff costs and the increase in directors' remuneration because of the increased number of directors.

Finance costs

The finance costs increased by approximately 83.3% from HK\$84,000 for the six months ended 30 September 2017 to HK\$154,000 for the six months ended 30 September 2018. The increase was mainly due to the increase in bank borrowings.



MANAGEMENT DISCUSSION AND ANALYSIS

Income tax

Income tax represents income tax paid or payable by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction the Group operates or domiciles. The Group had no tax payable in other jurisdiction other than Hong Kong during the six months ended 30 September 2017 and 2018. The Group's operations in Hong Kong are subject to a statutory profit tax rate of 16.5%. It recorded income tax of approximately HK\$1.6 million during the six months ended 30 September 2018, as compared to approximately HK\$1.1 million in the six months ended 30 September 2017.

Profit for the period

As a result of the foregoing, the profit for the period decreased from approximately HK\$3.5 million for the six months ended 30 September 2017 to approximately HK\$0.8 million for the six months ended 30 September 2018. Such decrease was mainly due to increase of listing expenses. The decrease was partially offsetted by increase gross profit.

CAPITAL ADEQUACY RATIOS

The Group has been maintaining its capital adequacy ratios during the period under review.

As at 30 September 2018, the Group had net current assets of approximately HK\$36.7 million (as at 31 March 2018: approximately HK\$35.9 million), of which the cash and cash equivalents were approximately HK\$3.5 million. The Group's current ratio as at 30 September 2018 is 2.1 times (as at 31 March 2018: 2.5 times). The gearing ratio as at 30 September 2018 was 10.5% (as at 31 March 2018: 8.6%) which is calculated on the basis of the Group's all interest-bearing borrowings and obligations under finance leases over the total equity.

Total bank borrowings and obligations under finance lease for the Group amounted to approximately HK\$7.8 million as at 30 September 2018 (as at 31 March 2018: approximately HK\$2.7 million). As at 30 September 2018, bank borrowings in the amounts of approximately HK\$6.1 million within one year while the amounts of approximately HK\$1.7 million are due after one year.

The Group adopts centralized 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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 six months ended 30 September 2018.

The following sets forth the Group's capital expenditure as at the dates indicated:

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Unaudited)
Plant and equipment	828	327
Deposit for acquisition of property, plant and equipment	—	—
	828	327

CONTINGENT LIABILITIES

As at 30 September 2018, 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\$282,000 as at 30 September 2018 (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).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had 127 employees in total (as at 31 March 2018: 49).

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any significant investments or material acquisition and disposal during the six months ended 30 September 2018.

EVENTS AFTER THE REPORTING PERIOD

On 15 October 2018, the shares of the Company were listed on GEM of the Stock Exchange.

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.

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.



MANAGEMENT DISCUSSION AND ANALYSIS

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

The Company was listed on GEM on 15 October 2018. As the Listing Date is subsequent to 30 September 2018, 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

On 30 September 2017, an interim dividend of HK\$7 million was recognized as distribution by TMD to its then shareholders namely, Mr. Ha and Mr. Ip. On 30 March 2018, an interim dividend of HK\$7 million was recognised as distribution by China Talent to its then shareholders namely Talent Prime and Infinite Honor. On the same date, Infinite Honor waived its rights to such dividend of HK\$490,000 and agree that Talent Prime shall be entitled to Infinite Honor's share of such dividend.

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

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.



OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the **"CG Code"**) as set out in Appendix 15 of the GEM Listing Rules, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

The Company has complied with the principles and applicable code provisions of the CG Code for the six months ended 30 September 2018.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the **"Code of Conduct"**). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the six months ended 30 September 2018.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the **"Scheme"**), the principal terms of which are summarised in the sub-section headed "Appendix IV — Statutory and General Information — D. Share Option Scheme" in the Prospectus.

No share option has been granted or exercised under the Scheme during the six months ended 30 September 2018. No share option was outstanding as at 30 September 2018.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares for the six months ended 30 September 2018.



OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Interests and/or short positions of Directors in the Shares, underlying shares and debentures of the Company and its associated corporations

As at the date of this report, the Directors or chief executives of the Company had the following interests and/or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, will be required to be notified to the Company and the Stock Exchange:

(i) Interests in the Company

Name of Director	Capacity	Number of shares held (Note 1)	Percentage of interest in the Company
Mr. Ha (Note 2)	Interest of a controlled corporation	334,800,000 (L)	69.75%
Mr. Ip (Note 2)	Interest of a controlled corporation	334,800,000 (L)	69.75%
Mr. Lau Yik Lok (Note 3)	Interest of a controlled corporation	25,200,000 (L)	5.25%

OTHER INFORMATION

Notes:

1. The letter "L" denotes the person's long positions in the Shares.
2. Each of Mr. Ha and Mr. Ip beneficially owns 50% of the issued share capital of Talent Prime Group Limited. Therefore, Mr. Ha and Mr. Ip are deemed to be interested in all the Shares held by Talent Prime Group Limited for the purpose of the SFO. Mr. Ha, Mr. Ip and Talent Prime Group Limited are regarded as a group of Controlling Shareholders acting in concert to exercise their voting rights in the Company and they together will be interested in a total of 69.75% of the issued share capital of the Company upon completion of Share Offer. Mr. Ha and Mr. Ip are directors of Talent Prime Group Limited.
3. Mr. Lau Yik Lok beneficially owns the entire issued share capital of Infinite Honor. Therefore, Mr. Lau Yik Lok is deemed to be interested in all the Shares held by Infinite Honor Limited for the purpose of the SFO. Mr. Lau Yik Lok is the sole director of Infinite Honor.

(ii) Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of shareholding interest
Mr. Ha	Talent Prime Group Limited	Beneficial owner	50	50%
Mr. Ip	Talent Prime Group Limited	Beneficial owner	50	50%

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had any interests and/or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the Directors.



OTHER INFORMATION

(b) Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors, as at the date of this report, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly interested in 5% or more of the issued share capital of the Company.

Name of substantial shareholder	Capacity	Number of Shares (Note 1)	Percentage of interest in our Company
Talent Prime Group Limited	Beneficial owner	334,800,000 (L)	69.75%
Ms. Chung Ching Yan (Note 2)	Interest of spouse	334,800,000 (L)	69.75%
Ms. Lee Ming Ho (Note 3)	Interest of spouse	334,800,000 (L)	69.75%
Infinite Honor Limited	Beneficial owner	25,200,000 (L)	5.25%
Ms. Zhao Yue (Note 4)	Interest of spouse	25,200,000 (L)	5.25%

Notes:

1. The letter "L" denotes the person's long positions in the Shares.
2. Ms. Chung Ching Yan is the spouse of Mr. Ha. Under the SFO, Ms. Chung is deemed, or taken to be, interested in the same number of Shares in which Mr. Ha is interested.
3. Ms. Lee Ming Ho is the spouse of Mr. Ip. Under the SFO, Ms. Lee is deemed to be interested in the same number of Shares in which Mr. Ip is interested.
4. Ms. Zhao Yue is the spouse of Mr. Lau Yik Lok. Under the SFO, Ms. Zhao is deemed, or taken to be, interested in the same number of Shares in which Mr. Lau Yik Lok is interested for the purpose of the SFO.

OTHER INFORMATION

Save as disclosed above, so far as is known to the Directors, as at the date of this report, there are no other person (not being a Director or chief executive of the Company) who had an interest or a short position in the Shares or underlying shares or debentures of the Company or any of its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly interested in 5% or more of the issued share capital of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Pulsar Capital Limited ("**Pulsar Capital**"), as at 30 September 2018, save as (1) Pulsar Capital's participation as the sole sponsor in relation to the Listing; (2) the compliance adviser agreement entered into between the Company and Pulsar Capital; and (3) the Underwriting Agreements in relation to the Listing, neither Pulsar Capital nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.



OTHER INFORMATION

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 21 September 2018 with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises of three members, namely Ms. Tang Shui Man (Chairman), Mr. Yuk Kai Yao and Dr. Fok Wai Sun, all of them being independent non-executive Directors. The Audit Committee has reviewed the unaudited consolidated financial results of the Group for the six months ended 30 September 2018. The Audit Committee is of the opinion that such financial results comply with the applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the Group’s customers, business partners and shareholders for their continuous support for and trust in the Group. The Board also wishes to express its heartfelt appreciation to all of the staff of the Group for their dedication and hard work throughout the period.

By order of the Board of
Grand Talents Group Holdings Limited
Ha Chak Hung
Chairman and Executive Director

Hong Kong, 13 November 2018

As at the date of this report, the executive Directors are Mr. Ha Chak Hung and Mr. Ip Chu Shing; the non-executive Director is Mr. Lau Yik Lok; and the independent non-executive Directors are Ms. Tang Shui Man, Dr. Fok Wai Sun and Mr. Yuk Kai Yao.

