



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

THIRD  
QUARTERLY  
REPORT  
2018



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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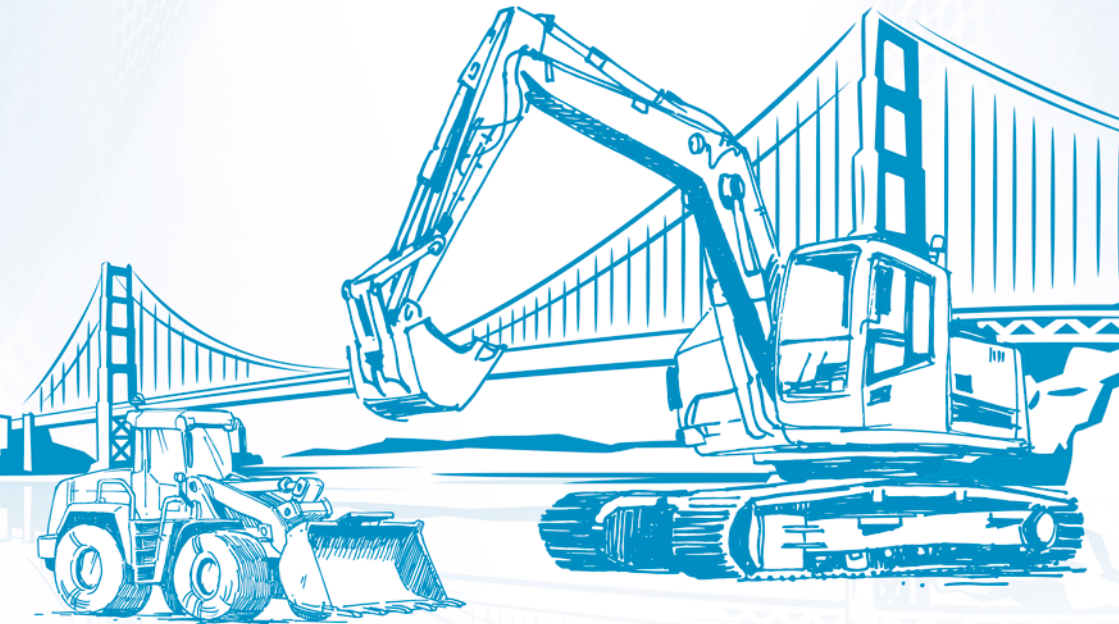
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*This report, for which the directors (the “**Directors**”) of Grand Talents Group Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars 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

P.O. Box 1350, Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands



## CORPORATE INFORMATION

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2505, 25th Floor, Billion Plaza  
8 Cheung Yue Street  
Cheung Sha Wan, Kowloon  
Hong Kong

### LEGAL ADVISOR

CFN Lawyers in association with Broad & Bright  
Units 4101–4104, 41st Floor  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai, Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited  
Clifton House, 75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKER

Fubon Bank (Hong Kong) Limited

### COMPLIANCE ADVISER

Pulsar Capital Limited  
Unit 318, 3/F, Shui On Centre  
6–8 Harbour Road, Wanchai  
Hong Kong

### AUDITOR

Deloitte Touche Tohmatsu  
36th Floor, One Pacific Place  
88 Queensway  
Hong Kong

### COMPANY'S WEBSITE

[www.grandtalentsgroup.com.hk](http://www.grandtalentsgroup.com.hk)

### STOCK CODE

8516



# HIGHLIGHTS

## HIGHLIGHTS

- The revenue of the Group was approximately HK\$71.9 million for the nine months ended 31 December 2018 representing an increase from approximately HK\$58.8 million for the same period ended 31 December 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\$21.2 million for the nine months ended 31 December 2018, representing an increase from approximately HK\$11.9 million for the nine months ended 31 December 2017. Such increase was mainly due to the increase in revenue.
- The Company recorded a net profit attributable to owners of the Company of approximately HK\$3.8 million for the nine months ended 31 December 2018, as compared to a net loss attributable to owners of the Company of approximately HK\$1.1 million recorded for the same period ended 31 December 2017. Such increase was mainly due to the increase in revenue.



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

The board of directors of the Company (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended and nine months ended 31 December 2018 (together with the comparative unaudited figures for the corresponding period in 2017) as follows:

|  | Notes | Three months ended<br>31 December                    |                                 | Nine months ended<br>31 December                     |                                 |
|--|-------|--|---------------------------------|--|---------------------------------|
|  |       | <b>2018</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 2017<br>HK\$'000<br>(unaudited) | <b>2018</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 2017<br>HK\$'000<br>(unaudited) |
| <b>Revenue</b>   | 3     | 22,391   | 25,410                          | 71,875   | 58,788                          |
| Cost of sales  |       | (15,441)   | (22,503)                        | (50,634)   | (46,931)                        |
| <b>Gross profit</b>  |       | 6,950  | 2,907                           | 21,241   | 11,857                          |
| Other income   |       | 192  | 57                              | 212  | 314                             |
| Other gains and loss   |       | (16)   | 12                              | (494)  | 184                             |
| Administration expenses  |       | (3,217)  | (2,456)                         | (7,257)  | (4,649)                         |
| Listing expenses   |       | —  | (4,968)                         | (7,311)  | (7,418)                         |
| Finance costs  |       | (295)  | (119)                           | (449)  | (203)                           |
| <b>Profit/(Loss) before taxation</b>   |       | 3,614  | (4,567)                         | 5,942  | 85                              |
| Income tax expense   | 4     | (596)  | (66)                            | (2,157)  | (1,194)                         |
| <b>Profit/(Loss) and total comprehensive income/ (expenses) for the period, attributable to:</b> |       |  |                                 |  |                                 |
| Owners of the Company  |       | 3,018  | (4,633)                         | 3,785  | (1,109)                         |
| Non-controlling interests  |       | —  | —                               | —  | —                               |
| <b>Earnings/(Loss) per share:</b>  |       | <b>HK cents</b>                                      | HK cents                        | <b>HK cents</b>                                      | HK cents                        |
| Basic  | 6     | 0.77   | (1.29)                          | 0.96   | (0.31)                          |



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

|   | Attributable to equity shareholders of the Company |                              |   |   |                                 |   | Total<br>HK\$'000 |
|---|--|------------------------------|---|---|---------------------------------|---|-------------------|
|   | Share<br>capital<br>HK\$'000                       | Share<br>premium<br>HK\$'000 | Capital<br>contribution<br>HK\$'000<br>(Note i) | Other<br>reserve<br>HK\$'000<br>(Note ii) | Retained<br>profits<br>HK\$'000 | Non-<br>controlling<br>interest<br>HK\$'000 |                   |
| <b>At 31 March 2017</b>   |  |                              |   |   |                                 |   |                   |
| <b>(audited)</b>  | 4,208  | —                            | —   | (2,751)                                   | 28,509                          | (7)   | 29,959            |
| Loss and total comprehensive expenses for the period                | —  | —                            | —   | —   | (1,109)                         | —   | (1,109)           |
| 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             |
| Arising from the Reorganisation                                     | (4,131)  | 6,995                        | (7,000)   | 18,135                                    | —                               | —   | 13,999            |
| <b>At 31 December 2017</b>  |  |                              |   |   |                                 |   |                   |
| <b>(unaudited)</b>  | 78   | 13,994                       | —   | 15,384                                    | 20,400                          | —   | 49,856            |
| <b>At 31 March 2018</b>   |  |                              |   |   |                                 |   |                   |
| <b>(audited)</b>  | 78   | 13,994                       | —   | 1,385                                     | 21,363                          | —   | 36,820            |
| Loss and total comprehensive expenses for the period                | —  | —                            | —   | —   | 3,785                           | —   | 3,785             |
| Arising from the Reorganisation (Note iii)                          | (78)   | —                            | —   | 78  | —                               | —   | —                 |
| Issuance of share upon initial public offering                      | 4,800  | 36,200                       | —   | —   | —                               | —   | 41,000            |
| <b>At 31 December 2018</b>  |  |                              |   |   |                                 |   |                   |
| <b>(unaudited)</b>  | 4,800  | 50,194                       | —   | 1,463                                     | 25,148                          | —   | 81,605            |



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 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 to the 700 ordinary shares of China Talents and was entitled to any dividends and distributions declared, made or paid since then while the allotment and issuance of the respective shares were 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, executive Director and one of the Controlling Shareholders as defined in note 2, 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 a waiver of the amount due to Talent Mark Development Limited ("**TMD**") in 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 Group Limited ("**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 in note 2).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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, 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 by way of share offer (the “**Listing**”) on 15 October 2018 (the “**Listing Date**”).

The condensed consolidated financial statements 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 Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income 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 nine months ended 31 December 2018

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION

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. 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 was inactive and deregistered on 14 July 2017.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION *(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 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 nine months ended 31 December 2018

## 2. GROUP REORGANISATION AND BASIS OF PREPARATION *(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 nine months ended 31 December 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 and combined statements of changes in equity for the nine months ended 31 December 2017 and 2018 have been prepared to present the results and changes in equity of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the nine months ended 31 December 2017 and 2018, or since their dates of incorporation, where there is a shorter period.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

## 3. REVENUE AND SEGMENT INFORMATION

|   | Three months ended<br>31 December                    |                                 | Nine months ended<br>31 December                     |                                 |
|---|--|---------------------------------|--|---------------------------------|
|   | <b>2018</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 2017<br>HK\$'000<br>(unaudited) | <b>2018</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 2017<br>HK\$'000<br>(unaudited) |
| Revenue                                     |  |                                 |  |                                 |
| The Group's revenue is analysed as follows: |  |                                 |  |                                 |
| Repair and maintenance works                | 17,834   | 22,418                          | 57,200   | 47,707                          |
| Civil engineering construction works        | 4,557  | 2,992                           | 14,675   | 11,081                          |
|   | <b>22,391</b>  | <b>25,410</b>                   | <b>71,875</b>  | <b>58,788</b>                   |

### 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 nine months ended 31 December 2018

## 3. REVENUE AND SEGMENT INFORMATION *(continued)*

### Segment reporting *(continued)*

#### Nine months ended 31 December 2018 (unaudited)

|                         | Civil<br>engineering<br>construction<br>works<br>HK\$'000 | Repair and<br>maintenance<br>works<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------|---|--|-------------------|
| Segment revenue         |   |  |                   |
| External sales          | 57,200  | 14,675   | 71,875            |
| Segment results         | 3,127   | 18,114   | 21,241            |
| Other income            |   |  | 212               |
| Other gains and losses  |   |  | (494)             |
| Administrative expenses |   |  | (7,257)           |
| Listing expenses        |   |  | (7,311)           |
| Finance costs           |   |  | (449)             |
| Profit before taxation  |   |  | 5,942             |

#### Nine months ended 31 December 2017 (unaudited)

|                         | Civil<br>engineering<br>construction<br>works<br>HK\$'000 | Repair and<br>maintenance<br>works<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------|---|--|-------------------|
| Segment revenue         |   |  |                   |
| External sales          | 11,081  | 47,707   | 58,788            |
| Segment results         | 925   | 10,932   | 11,857            |
| Other income            |   |  | 314               |
| Other gains and losses  |   |  | 184               |
| Administrative expenses |   |  | (4,649)           |
| Listing expenses        |   |  | (7,418)           |
| Finance costs           |   |  | (203)             |
| Profit before taxation  |   |  | 85                |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

## 4. INCOME TAX EXPENSE

|                              | Three months ended<br>31 December |                                 | Nine months ended 31<br>December |                                 |
|------------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                              | 2018<br>HK\$'000<br>(unaudited)   | 2017<br>HK\$'000<br>(unaudited) | 2018<br>HK\$'000<br>(unaudited)  | 2017<br>HK\$'000<br>(unaudited) |
| <b>Hong Kong Profits Tax</b> |                                   |                                 |                                  |                                 |
| — Current period             | 596                               | 66                              | 2,157                            | 1,175                           |
| <b>Deferred taxation</b>     | —                                 | —                               | —                                | 19                              |
|                              | 596                               | 66                              | 2,157                            | 1,194                           |

Hong Kong profits tax has been provided in accordance with the two-tiered profits tax regime (for the nine months ended 31 December 2017: at the rate of 16.5%) for the nine months ended 31 December 2018.

## 5. 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 nine months ended 31 December 2018.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

## 6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the nine months ended 31 December 2018 of 394,036,364 (for the nine months ended 31 December 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:

|  | Nine months ended 31 December |             |
|--|-------------------------------|-------------|
|  | 2018                          | 2017        |
|  | (unaudited)                   | (unaudited) |
| <b>Earnings/(loss):</b>  |                               |             |
| Earnings/(loss) for the purpose of basic earnings/(loss) per share (HK\$'000)                  | 3,785                         | (1,109)     |
| <b>Number of shares:</b>   |                               |             |
| Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share | 394,036,364                   | 360,000,000 |

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

## 7. EVENTS AFTER THE REPORTING PERIOD

Except for the Listing, no significant events occurred subsequent to 31 December 2018 and up to the date of this report.



# 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 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. The Group was not awarded for the two previous tenders for civil engineering construction projects. The Group has submitted one new tender for civil engineering construction project and two tenders for repair and maintenance works. One tender of repair and maintenance works was awarded and results for the other tenders are pending. Our Directors expect to receive the tender results in around March 2019.

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 nine months ended 31 December 2018.

## FUTURE PROSPECTS

2018 is a landmark for the Group. With our successful listing on GEM of the Stock Exchange on 15 October 2018, it laid down another milestone in the Group's history. The Board believes that being a listed-company would not only give a boost to the Group's awareness and a recognition in the achievements of the Group, but also provide the Group with a solid platform for future expansion.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Risk management and internal control

As at 31 December 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 nine months ended 31 December 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 HK\$13.1 million from approximately HK\$58.8 million for the nine months ended 31 December 2017, to approximately HK\$71.9 million for the nine months ended 31 December 2018. Such increase is mainly attributable to the commencement of one new repair and maintenance project with an aggregate revenue recognised of approximately HK\$20.9 million during the period ended 31 December 2018.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 HK\$3.7 million from approximately HK\$46.9 million for the nine months ended 31 December 2017 to approximately HK\$50.6 million for the nine months ended 31 December 2018, 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\$11.9 million and HK\$21.2 million for the nine months ended 31 December 2017 and 2018 respectively. The gross profit margin was 20.2% and 29.6% 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\$212,000 during the nine months ended 31 December 2018 (nine months ended 31 December 2017: HK\$314,000).

The decrease was due to no imputed interest income on amounts due from a related party and our Directors during the nine months ended 31 December 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 56.1% from approximately HK\$4.6 million for the nine months ended 31 December 2017 to approximately HK\$7.3 million for the nine months ended 31 December 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

The finance costs increased by approximately 121% from HK\$203,000 for the nine months ended 31 December 2017 to HK\$449,000 for the nine months ended 31 December 2018. The increase was mainly due to the increase in bank borrowings.

## 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 nine months ended 31 December 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\$2.2 million during the nine months ended 31 December 2018, as compared to approximately HK\$1.2 million in the nine months ended 31 December 2017.

## Profit for the period

As a result of the foregoing, the profit for the period increased from approximately loss HK\$1.1 million for the nine months ended 31 December 2017 to approximately profit HK\$3.8 million for the nine months ended 31 December 2018. Such increase was mainly due to increase of revenue.

## 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.

## EVENTS AFTER THE REPORTING PERIOD

No significant events occurred subsequent to 31 December 2018 and up to the date of this report.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 to be 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 in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

An analysis of the utilisation of the net proceeds from 1 October 2018 up to 31 December 2018 is set out below:

|   | <b>Planned use of the net proceeds from 1 October 2018 to 31 March 2019</b><br>(HK\$'000) | <b>Actual use of the net proceeds from 1 October 2018 to 31 December 2018</b><br>(HK\$'000) |
|---|---|---|
| Acquisition of additional machinery and equipment | 6,105   | 1,310   |
| Strengthening our manpower                        | 2,760   | 1,380   |
| Strengthening our financial capabilities          | 5,000   | —   |
| Working capital                                   | 3,205   | —   |
| <b>Total:</b>                                     | <b>17,070</b>   | <b>2,690</b>  |

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.

## 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 a dividend for the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2018. No share option was outstanding as at 31 December 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 nine months ended 31 December 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<br>(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. Therefore, Mr. Ha and Mr. Ip are deemed to be interested in all the Shares held by Talent Prime for the purpose of the SFO. Mr. Ha, Mr. Ip and Talent Prime 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 the directors of Talent Prime.
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 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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

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<br>(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 companies 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.



## OTHER INFORMATION

### INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Pulsar Capital Limited (“**Pulsar Capital**”), as at 31 December 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.

### 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 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.

The unaudited third quarterly results of the Company for the nine months ended 31 December 2018 have not been audited by the Company’s independent auditors, but have been reviewed by members of the Audit Committee who have provided advice and comments thereon.

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

Hong Kong, 14 February 2019

*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.*

