

G&M Holdings Limited 信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6038



2022

INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Chi Hung
(*Chairman and Chief Executive Officer*)
Ms. Lam Suk Yee, Patricia

Non-executive Director

Mr. Leung Ping Kwan

Independent Non-Executive Directors

Professor Wong Roderick Sue Cheun
Mr. Tai Kwok Leung, Alexander
Mr. Kwan Cheuk Kui

AUDIT COMMITTEE

Mr. Tai Kwok Leung, Alexander (*Chairman*)
Professor Wong Roderick Sue Cheun
Mr. Kwan Cheuk Kui

NOMINATION COMMITTEE

Mr. Lee Chi Hung (*Chairman*)
Professor Wong Roderick Sue Cheun
Mr. Tai Kwok Leung, Alexander
Mr. Kwan Cheuk Kui

REMUNERATION COMMITTEE

Mr. Kwan Cheuk Kui (*Chairman*)
Mr. Lee Chi Hung
Professor Wong Roderick Sue Cheun
Mr. Tai Kwok Leung, Alexander

RISK MANAGEMENT COMMITTEE

Mr. Lee Chi Hung (*Chairman*)
Professor Wong Roderick Sue Cheun
Mr. Tai Kwok Leung, Alexander
Mr. Kwan Cheuk Kui

JOINT COMPANY SECRETARIES

Ms. Huen Shuk Man
Mr. Lee Baldwin

AUTHORISED REPRESENTATIVES

Mr. Lee Chi Hung
Ms. Huen Shuk Man

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor
Magnet Place Tower 1
77-81 Container Port Road
Kwai Chung, New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

BDO Limited
*Certified Public Accountants and
Registered Public Interest
Entity Auditor*

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Shanghai Commercial Bank Limited

COMPANY WEBSITE

www.gm-eng.com.hk

STOCK CODE

6038

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of G & M Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021 (the “**Corresponding Period**”). These information should be read in conjunction with the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”).

BUSINESS REVIEW

The Group has more than 20 years history in Hong Kong and provides one-stop design and build solutions and repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong.

The progress of two projects sped up in the Period, therefore, there was a slight increase in the revenue by HK\$20.8 million. However, the lockdowns in Mainland China disrupted the cross-border supply chain, hence extra transportation cost and extra labour cost were incurred to meet the target of the projects’ progress.

The construction market remains relatively stable as the residential and commercial developments projects in Hong Kong resume its momentum. The Group has successfully secured several new contracts during the Period and the outstanding contract sum of the Group’s contracts on hand is relatively stable compared with past years.

With the pandemic subsiding, the management is confident that the Hong Kong economy will gradually recover in 2022. The management will also maintain its commitment to improving operational efficiency and consolidating the Group’s strong industry position, while ensuring it is well prepared to grasp opportunities arising from the recovery of the market.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Group's major projects on hand as at 30 June 2022 can be summarised as follows:

No.	Type of works undertaken	Location	Expected completion date	Estimated remaining contract value as at 30 June 2022 HK\$ million
1.	Curtain Wall	Kai Tak, Kowloon	Nov 2023	218.9
2.	Facade	Kai Tak, Kowloon	Dec 2023	203.2
3.	Facade	Shap Sze Heung, New Territories	Jun 2023	79.6
4.	Facade	Queensway, Hong Kong	Feb 2024	46.1
5.	Facade	Taikoo, Hong Kong	Sep 2022	45.1
6.	Facade	Shatin, New Territories	Nov 2022	42.0
7.	Facade	Cheung Sha Wan, Kowloon	Dec 2023	32.5
8.	Facade	Kwun Tong, Kowloon	Sep 2022	19.3
				686.7

Subsequent to the end of the Period and up to the date of this report, the Group had been awarded a podium facade contract with contract sum of approximately of HK\$37.9 million. Meanwhile, the Group is in the process of bidding for or pending the results of three curtain wall project tenders with an estimated total contract value of HK\$121.1 million.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$20.8 million or 13.1% from approximately HK\$158.4 million for the Corresponding Period to approximately HK\$179.2 million for the Period, which was mainly because the progress of certain key projects has sped up and generated more revenue during the Period.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$4.3 million or 10.4% from approximately HK\$41.2 million for the Corresponding Period to approximately HK\$45.5 million for the Period. Gross profit margin of the Group was approximately 25.4% for the Period, which was relatively stable as compared to approximately 26.0% for the Corresponding Period.

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by approximately HK\$4.1 million or 23.4% from approximately HK\$17.5 million for the Corresponding Period to approximately HK\$21.6 million for the Period, mainly due to the increase in employee benefit expenses.

Profit for the Period

The Group's profit for the Period amounted to approximately HK\$20.6 million, representing an increase of approximately HK\$0.7 million or 4% as compared to approximately HK\$19.9 million for the Corresponding Period. The increase in profit is the combined effect of the rise in revenue and gross profit and other income, and partially offset by the increase in administrative expenses.

Receivable turnover days

The Group's receivable turnover days for the Period increased to approximately 126.5 days as compared to that of approximately 103.6 days as at 31 December 2021 because the progress certified as at the period end increased. The Group did not observe any signs of default on any of its trade receivables balance as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank borrowings

The Group's bank borrowings as at 30 June 2022 were approximately HK\$0.5 million, representing a decrease of approximately HK\$15.4 million as compared to approximately HK\$15.9 million as at 31 December 2021 due to the repayment of borrowings during the Period from cash flow generated from operating activities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's gearing ratio, calculated by dividing total debts by total equity, as at 30 June 2022 was approximately 0.2% (31 December 2021: 6.2%). The decrease was mainly due to the decrease in bank borrowings and increase in total equity.

The Group's cash and cash equivalents balances as at 30 June 2022 amounted to approximately HK\$153.9 million, representing an increase of approximately HK\$65.6 million as compared to that of approximately HK\$88.3 million as at 31 December 2021.

The Group's bank borrowings as at 30 June 2022 were all denominated in Hong Kong dollars. The interest rates were ranged from 2.16% to 3.26% per annum.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 109 staff as at 30 June 2022 (30 June 2021: 110 staff) and the total employee benefit expenses for the Period amounted to approximately HK\$34.0 million (Corresponding Period: HK\$30.8 million). Such increase was mainly contributed to the increase in average salary per staff. The Group determines the remuneration of its employees based on each employee's qualifications, experience and past performance. The remuneration committee makes recommendations to the Board on the overall remuneration policy and structure for our Directors and senior management. The Group maintains a good relationship with its employees and has not experienced any major labour disputes nor any difficulty in recruiting suitable staff.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period to date of the report.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of Directors and the chief executive of the Company in the shares of the Company (the “**Shares**”), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”) as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Rules Governing the Listing Securities on the Stock Exchange (the “**Listing Rules**”), are as follows:

(i) Directors' interests in the Company

Name of Directors	Capacity	Number of Shares/ Position	Percentage of shareholding
Mr. Lee Chi Hung (“ Mr. Lee ”)	Interest in a controlled corporation; interest held jointly with another person <i>(Note 1)</i>	750,000,000 Long Position	75%
Mr. Leung Ping Kwan (“ Mr. Leung ”)	Interest in a controlled corporation; interest held jointly with another person <i>(Note 1)</i>	750,000,000 Long Position	75%
Ms. Lam Suk Yee, Patricia (“ Ms. Lam ”)	Interest of spouse <i>(Note 2)</i>	750,000,000 Long Position	75%

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Directors' interests in the associated corporation of the Company

Name of Directors	Name of associated corporation	Capacity	Number of shares interested	Percentage of shareholding
Mr. Lee	Luxury Booming Limited ("Luxury Booming")	Beneficial owner	3	75%
Mr. Leung	Luxury Booming	Beneficial owner	1	25%
Ms. Lam	Luxury Booming	Interest of spouse (Note 2)	3	75%

Notes:

1. Luxury Booming is the registered and the beneficial owner holding 75% of the issued shares of the Company. The issued share capital of Luxury Booming is owned as to 75% by Mr. Lee and 25% by Mr. Leung. By virtue of the concert parties confirmatory deed entered into between Mr. Lee and Mr. Leung dated 9 January 2017, each of Mr. Lee and Mr. Leung is deemed to be interested in the entire shareholding interests of Luxury Booming in the Company under SFO.
2. Ms. Lam is the spouse of Mr. Lee and is deemed or taken to be interested in all Shares in which Mr. Lee has interest under the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, so far as the Directors are aware, the interest and short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Substantial shareholders' interest in the Company

Name of shareholders	Capacity	Number of Shares held/ Position	Percentage of shareholding
Luxury Booming (<i>Note 1</i>)	Beneficial owner	750,000,000 Long Position	75%
Ms. Ku Nga Ping (<i>Note 2</i>)	Interest of spouse	750,000,000 Long Position	75%

Notes:

1. Luxury Booming is the registered and beneficial owner holding 75% of the issued shares of the Company. The issued share capital of Luxury Booming is owned as to 75% by Mr. Lee and 25% by Mr. Leung. By virtue of the concert parties confirmatory deed entered into between Mr. Lee and Mr. Leung dated 9 January 2017, each of Mr. Lee and Mr. Leung is deemed to be interested in the entire shareholding interests of Luxury Booming in the Company under the SFO.
2. Ms. Ku Nga Ping is the spouse of Mr. Leung and is deemed, or taken to be, interested in all Shares in which Mr. Leung has interest under the SFO.

SHARE OPTION SCHEME

The Company granted 3,000,000 share options on 16 April 2021 under the share option scheme adopted on 12 May 2017 and no option has been exercised or cancelled since then up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 30 June 2022, the Group had approximately HK\$5.0 million of pledged bank deposits (31 December 2021: HK\$5.0 million) for a banking facility of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries.

SIGNIFICANT INVESTMENT HELD

The Group had not held any significant investments during the Period.

CAPITAL COMMITMENT

The Group had no significant capital commitment as at 30 June 2022.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2022.

EVENTS AFTER END OF THE PERIOD

No event has occurred after 30 June 2022 and up to the date of this report which would have a material effect on the Group.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules and has complied with the CG Code throughout the Period, except in relation to provision A.2.1 of the CG Code where the roles of the Group’s Chairman and chief executive officer are both performed by Mr. Lee. The provision A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Please refer to the annual report for year ended 31 December 2021 for the nature of the non-compliance with the provision A.2.1 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the Period and up to the date of this report.

INTERIM DIVIDEND

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend the payment of an interim dividend for the Period.

CHANGE IN INFORMATION OF DIRECTORS

Mr. Tai Kwok Leung, Alexander, being our independent non-executive Director, ceased to act as an independent non-executive director of Jianyuan International Group Limited (stock code: 2768), whose issued shares are listed on the Main Board of the Stock Exchange, with effect from 30 June 2022.

Save as disclosed above, as at the date of this report, there has been no change to the information of the Directors and chief executives of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently comprises three independent non-executive Directors, namely Professor Wong Roderick Sue Cheun, Mr. Tai Kwok Leung, Alexander and Mr. Kwan Cheuk Kui, and is chaired by Mr. Tai Kwok Leung, Alexander.

The Audit Committee has reviewed the accounting standards and policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the Period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Revenue	5	179,232	158,434
Cost of revenue		(133,734)	(117,265)
Gross profit		45,498	41,169
Other income and gains	6	1,489	217
Administrative and other operating expenses		(21,644)	(17,482)
Fair value loss on financial assets at fair value through profit or loss		(211)	(166)
Finance costs		(533)	(298)
Profit before income tax	7	24,599	23,440
Income tax expense	8	(3,978)	(3,581)
Profit for the period		20,621	19,859
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange difference arising from translation of foreign operation		33	(1)
Total comprehensive income for the period		20,654	19,858
		HK cents	HK cents
Earnings per share			
– Basic	11	2.1	2.0
– Diluted	11	2.1	2.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	4,379	6,046
Deposits and prepayments		1,345	1,345
Right-of-use assets		9,011	10,381
		14,735	17,772
Current assets			
Inventories		849	2,224
Contract assets	13	125,135	95,487
Trade and other receivables, deposits and prepayments	14	103,108	198,318
Financial assets at fair value through profit or loss		1,158	1,369
Pledged bank deposits		5,000	5,000
Cash and bank balances		153,860	88,319
		389,110	390,717
Current liabilities			
Contract liabilities	13	68,755	56,825
Trade and other payables	15	40,310	64,108
Bank borrowings	16	512	15,850
Lease liabilities		2,336	2,805
Dividend payable	10	11,000	–
Tax payable		6,708	3,264
		129,621	142,852
Net current assets		259,489	247,865
Total assets less current liabilities		274,224	265,637

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Note</i>	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Non-current liabilities			
Lease liabilities		7,257	8,324
NET ASSETS		266,967	257,313
CAPITAL AND RESERVES			
Share capital	17	10,000	10,000
Reserves		256,967	247,313
Total equity		266,967	257,313

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Equity attributable to owners of the Company						
	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Translation reserves* HK\$'000	Share-based payment reserve* HK\$'000	Retained profits* HK\$'000	Total equity HK\$'000
At 1 January 2022	10,000	82,848	(4,592)	(30)	123	168,964	257,313
Profit for the period	-	-	-	-	-	20,621	20,621
Other comprehensive income for the period							
- Exchange difference arising from translation of foreign operation	-	-	-	33	-	-	33
Total comprehensive income for the period	-	-	-	33	-	20,621	20,654
Dividends declared (<i>note 10</i>)	-	-	-	-	-	(11,000)	(11,000)
At 30 June 2022 (unaudited)	10,000	82,848	(4,592)	3	123	178,585	266,967
At 1 January 2021	10,000	82,848	(4,592)	(47)	-	148,664	236,873
Profit for the period	-	-	-	-	-	19,859	19,859
Other comprehensive income for the period							
- Exchange difference arising from translation of foreign operation	-	-	-	(1)	-	-	(1)
Total comprehensive income for the period	-	-	-	(1)	-	19,859	19,858
Dividends declared (<i>note 10</i>)	-	-	-	-	-	(11,000)	(11,000)
Issue of share options (<i>note 9</i>)	-	-	-	-	18	-	18
At 30 June 2021 (unaudited)	10,000	82,848	(4,592)	(48)	18	157,523	245,749

* The total of these equity accounts as at 30 June 2022 represent "Reserves" in the condensed consolidated statements of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Net cash generated from/(used in) operating activities	81,965	(7,485)
Net cash used in investing activities	(115)	(5,908)
Net cash (used in)/generated from financing activities	(16,320)	1,546
Increase/(Decrease) in cash and cash equivalents	65,530	(11,847)
Cash and cash equivalents at the beginning of period	88,319	149,157
Effect of exchange rate changes on cash and cash equivalents	11	41
Cash and cash equivalents at the end of period	153,860	137,351

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

G & M Holdings Limited (The “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at 11th Floor, Magnet Place Tower 1, 77-81 Container Port Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and the principal activities of the Company and its subsidiaries (collectively referred hereafter as the “**Group**”) are the provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong.

The Company’s parent is Luxury Booming Limited (“**Luxury Booming**”), a limited liability company incorporated in the British Virgin Islands. In the opinion of the directors, Luxury Booming is also the ultimate holding company of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2021 (“**Financial Statements 2021**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The condensed consolidated interim financial statements have not been audited or reviewed by the Company’s external auditor, but have been reviewed by the audit committee of the Company and approved by the Board of the Company on 25 August 2022.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. Except for the adoption of the new and amended HKFRSs for annual periods beginning on 1 January 2022, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements are consistent with those described in the Financial Statements 2021.

(a) Adoption of new or revised HKFRSs effective on 1 January 2022

During the interim period, the Group has adopted all the following new and amended HKFRSs which are first effective for the reporting period and relevant to the Group.

Amendments to HKAS 16	Plant, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions Beyond 30 June 2021
Annual Improvements to HKFRS 2018–2020	Amendments to HKFRS 9 Financial Instruments and Amendments to Illustrative Examples accompanying HKFRS 16 Leases

The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group and/or Group's unaudited condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's condensed consolidated interim financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
HK-Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

The Directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. SEGMENT REPORTING

(a) Segment information

The Group has only one operating segment that qualifies as reporting segment under HKFRS 8 “Operating Segments”. The Group operates in Hong Kong and the People’s Republic of China (the “**PRC**”). All the Group’s revenue are derived from Hong Kong, and more than 94% of the Group’s non-current assets are located in Hong Kong. Accordingly, no separate segmental analysis is presented.

(b) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group’s revenue, is set out below:

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Customer I	81,278	35,128
Customer II	72,807	112,048

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. REVENUE

The Group is principally engaged in the provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall work in Hong Kong. Revenue derived from the Group's principal activities comprises of the followings:

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Revenue recognised over time:		
Design and build projects		
– Podium facade and related works	165,130	140,947
– Curtain wall works	5,615	5,509
	170,745	146,456
Repair and maintenance services	8,487	11,978
	179,232	158,434

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Bank interest income	3	34
Dividend income from financial assets at fair value through profit or loss (“ FVTPL ”)	13	13
Other income	1,393	170
Government subsidies	80	–
	1,489	217

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Auditor's remuneration	300	300
Cost of inventories recognised as expenses [#]	57,125	50,667
Depreciation charge:		
– Property, plant and equipment*	1,769	1,537
– Right-of-use assets*		
Properties and machinery leased for own use	1,317	1,745
Warranty expense [#]	–	20
Employee benefit expenses (including directors' emoluments)		
– Salaries, allowances and other benefits	32,790	29,659
– Contributions to defined contribution retirement plan	1,201	1,078
– Equity settled share-based payment expense	–	18
	33,991	30,755

[#] Included in cost of revenue

* Included in administrative and other operating expense

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Hong Kong Profits Tax		
– Current tax for the period	3,976	3,578
PRC Enterprise Income Tax		
– Current tax for the period	2	3
Tax for the period	3,978	3,581

The Company and its Hong Kong incorporated subsidiaries are subject to Hong Kong Profits Tax which is calculated at tax rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Company's PRC subsidiary was eligible to be classified as small enterprise by local bureau and the corresponding assessable profits are taxed at progressive rate. The first RMB1,000,000 assessable profit is taxed at 5% and assessable profit above RMB1,000,000 but less than RMB3,000,000 is taxed at 10%. PRC Enterprise Income Tax for each of the six months ended 30 June 2022 and 2021 is calculated by applying the applicable progressive tax rate on the estimated assessable profit for the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. SHARE-BASED PAYMENT

During the six months ended 30 June 2022, no share-based payment expense (six months ended 30 June 2021: HK\$18,000) was recognised in profit or loss and no corresponding amount (six months ended 30 June 2021: HK\$18,000) was credited to share option reserve.

10. DIVIDENDS

The Directors do not propose the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$5,500,000).

The final dividend of HK\$11,000,000 for the year ended 31 December 2021 has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 8 July 2022 (six months ended 30 June 2021: HK\$11,000,000 despatched on 21 July 2021).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. EARNING PER SHARE

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

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	20,621	19,859
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,000,000	1,000,000
Effect of dilutive potential ordinary shares – share options	184	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,000,184	1,000,000

For the purposes of calculating diluted earnings per share for the six months ended 30 June 2022, the weighted average number of ordinary shares has been adjusted for the dilutive effect arising from the share options. For the purposes of calculating diluted earnings per share for the six months ended 30 June 2021, no adjustment had been made as the exercise of the outstanding share options had an anti-dilutive effect on the basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of approximately HK\$118,000 (six months ended 30 June 2021: HK\$6,767,000). No property, plant and equipment were disposed during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$3,233,000).

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Contract assets are arising from:		
– Design and build contracts	124,616	95,297
– Repair and maintenance services	1,279	950
Contract assets (gross)	125,895	96,247
Less: Loss allowance	(760)	(760)
	125,135	95,487
Unbilled revenue	89,284	61,240
Retention receivables	36,611	35,007
Contract assets (gross)	125,895	96,247

The expected timing of recovery or settlement of gross amount of contract assets at the end of the reporting period is as follows:

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Within one year	104,720	78,781
More than one year	21,175	17,466
	125,895	96,247

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

(Continued)

(b) Contract liabilities

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Contract liabilities are arising from:		
– Design and build contracts*	67,214	54,672
– Repair and maintenance services	1,541	2,153
	68,755	56,825

* Included warranty provision made for design and build projects amounting to HK\$940,000 as at 30 June 2022 (31 December 2021: HK\$940,000). During the six months ended 30 June 2022, no warranty cost (year ended 31 December 2021: HK\$260,000) was incurred and charged against the warranty provision.

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

**14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND
PREPAYMENTS**

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Non-current		
Refundable rental deposits	1,345	1,345
Current		
Trade receivables	77,407	173,045
Less: Loss allowance	(79)	(79)
Trade receivables, net	77,328	172,966
Retention receivables	429	267
Less: Loss allowance	(22)	(22)
Retention receivables, net	407	245
Deposits and prepayments	25,373	25,107
	103,108	198,318

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

**14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND
PREPAYMENTS (Continued)**

Notes:

- (a) The credit period granted to trade debtors ranged from 20 to 60 days.
- (b) The aging analysis of trade receivables (net of loss allowance) based on the invoice date, as at the end of the reporting period is as follows:

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
0 – 30 days	72,753	157,654
31 – 60 days	99	13,935
61 – 90 days	527	52
Over 90 days but less than 1 year	2,673	488
Over a year	1,276	837
	77,328	172,966

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Trade payables	19,115	40,718
Retention payables	8,715	9,218
Accruals and other payables	12,480	14,172
	40,310	64,108

Notes:

(a) Trade payables

The credit period granted by the suppliers and subcontractors is normally 0 to 60 days.

The ageing analysis of the trade payables, based on invoice date, as at the end of the reporting period is as follows:

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
0 – 30 days	17,984	28,564
31 – 60 days	603	9,391
61 – 90 days	94	328
Over 90 days	434	2,435
	19,115	40,718

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(b) Retention payables

Based on the terms and conditions agreed in relation to the release of retention monies to subcontractors and taking into account the status of rectification work, the retention payables as at the end of the reporting period are to be settled as follows:

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
On demand or within one year	7,871	7,320
More than one year	844	1,898
	8,715	9,218

16. BANK BORROWINGS

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Bank borrowings repayable within one year	512	15,850

Note:

The bank borrowings, including trade financing, are interest bearing at the bank's prime rate or the bank's prime rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 30 June 2022 were ranged from 2.16% to 3.26% (31 December 2021: ranged from 2.16% to 2.56%) per annum. The bank borrowings are subject to repayment on demand clause.

As at 30 June 2022 and 31 December 2021, the banking facilities (including bank borrowings and surety bonds/letters of guarantee) granted to the Group were secured by the bank deposits, the proceeds of a design and build project and the corporate guarantee provided by the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. SHARE CAPITAL

The share capital balance as at 30 June 2022 and 31 December 2021 represents the issued and fully paid share capital of the Company as follows:

Ordinary share of HK\$0.01 each	Number of shares	Amount HK\$'000
Authorised:	10,000,000,000	100,000
Issued and fully paid:	1,000,000,000	10,000

18. GUARANTEES

The Group provided guarantee in respect of the surety bonds issued by the banks, in favour of the customers of certain construction contracts. In addition, the Group also provided guarantee in respect of the irrevocable letters of guarantee issued by a bank in favour of a supplier in relation to certain machineries by the supplier. Details of these guarantees are as follows:

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Aggregate value of:		
– surety bonds issued in favour of customers	74,460	74,608
– letters of guarantee issued in favour of a supplier	–	20,371
	74,460	94,979

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19. LITIGATIONS

During the period ended 30 June 2022 and the year ended 31 December 2021, certain lawsuits and claims arising from the normal course of business were lodged against the Group. Claim amounts are not specified in some of the applications of these lawsuits and claims. All the claims were settled. Having considered the nature of these claims and the underlying insurance coverage, the directors assessed that outflow of significant resources in settling the claims was remote and thus no provision was made for these claims.

20. RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following transactions with its related parties:

Compensation of key management personnel

The remuneration of directors and other members of key management during the periods were as follows:

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Salaries, allowances and other benefits	5,951	6,557
Contributions to defined contribution retirement plan	45	63
	5,996	6,620