

# G&M Holdings Limited

## 信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6038



## INTERIM REPORT

### 2020

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lee Chi Hung  
*(Chairman and Chief Executive Officer)*  
Mr. Chan Wai Yin  
Ms. Lam Suk Yee, Patricia  
*(Appointed on 18th June 2020)*

### 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. Chan Wai Yin *(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  
Mr. Chan Wai Yin

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1709-14, 17/F  
Manhattan Centre  
8 Kwai Cheong Road  
Kwai Chung, New Territories  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## AUDITOR

BDO Limited  
*Certified Public Accountants*

## PRINCIPAL BANKERS

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

## COMPANY WEBSITE

[www.gm-eng.com.hk](http://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 2020 (the “**Period**”), together with the comparative figures for the corresponding period in 2019 (the “**Corresponding Period**”). These information should be read in conjunction with the annual report of the Company for the year ended 31 December 2019 (the “**2019 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 outbreak of COVID-19 since early 2020 has posed obstacles to the transportation of construction material from mainland China to Hong Kong, which led to various levels of delay in the progress for some projects. As a result of progress delay and the consequential extra costs incurred, revenue for the Period was below expectation and, despite a slight revenue growth of approximately HK\$4.1 million, the gross profit for the Period reduced by approximately HK\$1.1 million or 2.9% as compared to the Corresponding Period. Furthermore, amidst uncertainties brought on by the US-China trade war and the outbreak of COVID-19, property developers adopted more stringent cost control with tight control in project progress, which also hampered profit margin of the awarded projects. The Group continues to devise efficient and effective podium and curtain wall building solutions in order to capture business opportunities while maintaining a reasonable profit margin.

However, the Group maintains a healthy liquidity position with net cash of over HK\$100 million and minimal bank borrowings, and is confident to withstand the present challenging global economic conditions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

The Group's major projects on hand as at 30 June 2020 can be summarised as follow:

| No. | Type of works undertaken | Location              | Expected completion date | Estimated remaining contract value as at 30 June 2020<br>HK\$'million |
|-----|--------------------------|-----------------------|--------------------------|---|
| 1.  | Podium facade            | Kwun Tong, Kowloon    | Dec 2021                 | 238.9   |
| 2.  | Podium facade            | TaiKoo, Hong Kong     | Dec 2021                 | 226.6   |
| 3.  | Curtain wall             | Jaffe Road, Hong Kong | Dec 2020                 | 31.5  |
|     |                          |                       |                          | 497.0   |

Subsequent to the end of the Period and up to the date of this report, the Group had been awarded two podium facade and a maintenance contracts with contract sum of approximately of HK\$378.5 million. Meanwhile, the Group is in the process of bidding for or pending the results of a sizeable podium facade project tender with an estimated total contract value of over HK\$122.1 million.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue slightly increased by approximately HK\$4.1 million or 3.1% from approximately HK\$131.4 million for the Corresponding Period to approximately HK\$135.5 million for the Period.

#### Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$1.1 million or 3.1% from approximately HK\$36.9 million for the Corresponding Period to approximately HK\$35.8 million for the Period. Gross profit margin of the Group was approximately 26.4% for the Period, representing a slight decrease as compared with that of approximately 28.1% for the Corresponding Period. The decrease in gross profit margin was mainly attributable to the project with lower profit margin recognised during the Period.

#### Administrative and other operating expenses

The Group's administrative and other operating expenses increased by approximately HK\$3.6 million or 24.6% from approximately HK\$14.6 million for the Corresponding Period to approximately HK\$18.2 million for the Period. The increase was mainly due to the increase in salaries, allowances and other benefits and legal and professional expenses.

#### Profit for the Period

The Group's profit for the Period amounted to approximately HK\$16.5 million, representing a decrease of approximately HK\$2.1 million or 11.3% as compared to that of approximately HK\$18.6 million for the Corresponding Period. Such decrease was mainly due to the drop in gross profit of approximately HK\$1.1 million and increase in administrative expense of approximately HK\$3.6 million as discussed above while net off with the increase in other income of approximately of HK\$2.0 million.

#### Receivable turnover days

The Group's receivable turnover days for the Period decreased to approximately 58.2 days as compared to that of approximately 75.2 days as at 31 December 2019 because the progress certified as at the period end decreased. The Group did not observe any signs of default on any of its trade receivables balance as at 30 June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Bank borrowings

The Group's bank borrowings as at 30 June 2020 were approximately HK\$7.8 million, representing an increase of approximately HK\$6.8 million as compared to that of approximately HK\$1.0 million as at 31 December 2019.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's gearing ratio, calculated by dividing total debts by total equity, as at 30 June 2020 was approximately 3.4% (31 December 2019: 0.4%). The increase was mainly due to the increase in the bank borrowings.

The Group's cash and cash equivalents balances as at 30 June 2020 amounted to approximately HK\$120.8 million, representing a decrease of approximately HK\$7.7 million as compared to that of approximately HK\$128.5 million as at 31 December 2019.

The Group's bank borrowings as at 30 June 2020 were all denominated in Hong Kong Dollars. The interest rates were 3.34% per annum.

### EMPLOYEES AND REMUNERATION POLICIES

The Group had 103 staff as at 30 June 2020 (30 June 2019: 98 staff) and the total employee benefit expenses for Period amounted to approximately HK\$26.7 million (Corresponding Period: HK\$24.9 million). Such increase was mainly contributed to the increase in average number of staff salary as a result of the Group's business expansion. 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.

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

As at 30 June 2020, 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 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 Director                                     | Capacity  | Number of Shares/<br>Position | Percentage of shareholding |
|--|---|-------------------------------|----------------------------|
| Mr. Lee Chi Hung<br>(“ <b>Mr. Lee</b> ”)             | Interest in a controlled corporation; interest held jointly with another person<br>(Note 1) | 750,000,000<br>Long Position  | 75%                        |
| Mr. Leung Ping Kwan<br>(“ <b>Mr. Leung</b> ”)        | Interest in a controlled corporation; interest held jointly with another person<br>(Note 1) | 750,000,000<br>Long Position  | 75%                        |
| Ms. Lam Suk Yee,<br>Patricia<br>(“ <b>Ms. Lam</b> ”) | Interest of spouse (Note 2)   | 750,000,000<br>Long Position  | 75%                        |



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

*Notes:*

1. Luxury Booming is the registered and the beneficial owner holding 75% of the issued Share. 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 in under the SFO.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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 shareholder               | Capacity           | Number of Shares held/ Position | Percentage of shareholding |
|-----------------------------------|--------------------|---------------------------------|----------------------------|
| Luxury Booming ( <i>Note 1</i> )  | Beneficial owner   | 750,000,000<br>Long Position    | 75%                        |
| Ms. Lam ( <i>Note 2</i> )         | Interest of spouse | 750,000,000<br>Long Position    | 75%                        |
| Ms. Ku Nga Ping ( <i>Note 3</i> ) | Interest of spouse | 750,000,000<br>Long Position    | 75%                        |

*Notes:*

- 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.
- 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 in under the SFO.
- 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 in under the SFO.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SHARE OPTION SCHEME

The Company granted 5,500,000 share options on 2 November 2018 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.

### PLEDGE OF ASSETS

As at 30 June 2020, the Group had approximately HK\$5.0 million of pledge bank deposits (31 December 2019: 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 2020.

### CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2020.

### EVENTS AFTER END OF THE PERIOD

No event has occurred after 30 June 2020 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 2019 the nature of the non-compliance with the provision A.2.1 of 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.

### 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

|  | Notes | Six months ended 30 June        |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2020<br>(unaudited)<br>HK\$'000 | 2019<br>(unaudited)<br>HK\$'000 |
| <b>Revenue</b>   | 5     | <b>135,524</b>                  | 131,411                         |
| Cost of revenue  |       | <b>(99,697)</b>                 | (94,526)                        |
| <b>Gross profit</b>  |       | <b>35,827</b>                   | 36,885                          |
| Other income and gains   | 6     | <b>2,055</b>                    | 19                              |
| Administrative and other operating expenses                          |       | <b>(18,232)</b>                 | (14,574)                        |
| Finance costs  |       | <b>(90)</b>                     | (150)                           |
| <b>Profit before income tax</b>                                      | 7     | <b>19,560</b>                   | 22,180                          |
| Income tax expense   | 8     | <b>(3,062)</b>                  | (3,596)                         |
| <b>Profit for the period</b>   |       | <b>16,498</b>                   | 18,584                          |
| <b>Other comprehensive income</b>                                    |       |                                 |                                 |
| <i>Item that may be subsequently reclassified to profit or loss:</i> |       |                                 |                                 |
| – Exchange difference arising from translation of foreign operation  |       | <b>(6)</b>                      | 1                               |
| <b>Total comprehensive income for the period</b>                     |       | <b>16,492</b>                   | 18,585                          |
|  |       | <b>HK cents</b>                 | HK cents                        |
| <b>Earnings per share</b>  |       |                                 |                                 |
| – Basic  | 11    | <b>1.6</b>                      | 1.9                             |
| – Diluted  | 11    | <b>1.6</b>                      | 1.9                             |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

|  | <i>Notes</i> | <b>30 June<br/>2020<br/>(unaudited)<br/>HK\$'000</b> | 31 December<br>2019<br>(audited)<br>HK\$'000 |
|--|--------------|--|--|
| <b>ASSETS AND LIABILITIES</b>                |              |  |  |
| <b>Non-current assets</b>                    |              |  |  |
| Property, plant and equipment                | 12           | <b>1,811</b>   | 2,211  |
| Right-of-use assets                          |              | <b>3,220</b>   | 3,489  |
|  |              | <b>5,031</b>   | 5,700  |
| <b>Current assets</b>                        |              |  |  |
| Inventories                                  |              | <b>435</b>   | 805  |
| Contract assets                              | 13           | <b>81,106</b>  | 74,661                                       |
| Trade and other receivables                  | 14           | <b>81,360</b>  | 77,314                                       |
| Pledged bank deposits                        |              | <b>5,000</b>   | 5,000  |
| Cash and bank balance                        |              | <b>120,792</b>                                       | 128,467                                      |
|  |              | <b>288,693</b>                                       | 286,247                                      |
| <b>Current liabilities</b>                   |              |  |  |
| Contract liabilities                         | 13           | <b>2,623</b>   | 3,357  |
| Trade and other payables                     | 15           | <b>35,045</b>  | 55,576                                       |
| Tax payable                                  |              | <b>910</b>   | 878  |
| Bank borrowings                              | 16           | <b>7,786</b>   | 1,000  |
| Lease liabilities                            |              | <b>2,171</b>   | 2,377  |
| Dividend payables                            |              | <b>14,000</b>  | –  |
|  |              | <b>62,535</b>  | 63,188                                       |
| <b>Net current assets</b>                    |              | <b>226,158</b>                                       | 223,059                                      |
| <b>Total assets less current liabilities</b> |              | <b>231,189</b>                                       | 228,759                                      |
| <b>Non-current liabilities</b>               |              |  |  |
| Lease liabilities                            |              | <b>1,118</b>   | 1,180  |
| <b>NET ASSETS</b>                            |              | <b>230,071</b>                                       | 227,579                                      |
| <b>CAPITAL AND RESERVES</b>                  |              |  |  |
| Share capital                                | 17           | <b>10,000</b>  | 10,000                                       |
| Reserves                                     |              | <b>220,071</b>                                       | 217,579                                      |
| <b>Total equity</b>                          |              | <b>230,071</b>                                       | 227,579                                      |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

|   | Equity attributable to owners of the Company |                            |                             |                                   |  |                                |                          |
|---|--|----------------------------|-----------------------------|-----------------------------------|--|--------------------------------|--------------------------|
|   | Share capital<br>HK\$'000                    | Share premium*<br>HK\$'000 | Merger reserve*<br>HK\$'000 | Translation reserves*<br>HK\$'000 | Share-based payment reserve*<br>HK\$'000 | Retained earnings*<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 1 January 2020 (audited)   | 10,000                                       | 82,848                     | (4,592)                     | (42)                              | 238                                      | 139,127                        | 227,579                  |
| <b>Comprehensive income</b>   |  |                            |                             |                                   |  |                                |                          |
| Profit for the period   | -  | -                          | -                           | -                                 | -  | 16,498                         | 16,498                   |
| Other comprehensive income for the period                           |  |                            |                             |                                   |  |                                |                          |
| – Exchange difference arising from translation of foreign operation | -  | -                          | -                           | (6)                               | -  | -                              | (6)                      |
| <b>Total comprehensive income for the period</b>                    | -  | -                          | -                           | (6)                               | -  | 16,498                         | 16,492                   |
| Dividends declared (note 10)  | -  | -                          | -                           | -                                 | -  | (14,000)                       | (14,000)                 |
| At 30 June 2020 (unaudited)   | 10,000                                       | 82,848                     | (4,592)                     | (48)                              | 238                                      | 141,625                        | 230,071                  |
| At 1 January 2019 (audited)   | 10,000                                       | 82,848                     | (4,592)                     | (32)                              | 200                                      | 130,595                        | 219,019                  |
| <b>Comprehensive income</b>   |  |                            |                             |                                   |  |                                |                          |
| Profit for the period   | -  | -                          | -                           | -                                 | -  | 18,584                         | 18,584                   |
| Other comprehensive income for the period                           |  |                            |                             |                                   |  |                                |                          |
| – Exchange difference arising from translation of foreign operation | -  | -                          | -                           | 1                                 | -  | -                              | 1                        |
| <b>Total comprehensive income for the period</b>                    | -  | -                          | -                           | 1                                 | -  | 18,584                         | 18,585                   |
| Dividends declared (note 10)  | -  | -                          | -                           | -                                 | -  | (18,000)                       | (18,000)                 |
| Equity settled share-based transaction                              | -  | -                          | -                           | -                                 | 102                                      | -                              | 102                      |
| At 30 June 2019 (unaudited)   | 10,000                                       | 82,848                     | (4,592)                     | (31)                              | 302                                      | 131,179                        | 219,706                  |

\* The total of these equity accounts as at 30 June 2020 represent “Reserves” in the condensed consolidated statements of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2020<br>(unaudited)<br>HK\$'000 | 2019<br>(unaudited)<br>HK\$'000 |
| Net cash (used in)/generated from operating activities       | (14,146)                        | 34,829                          |
| Net cash used in investing activities                        | (155)                           | (451)                           |
| Net cash generated from/(used in) financing activities       | 6,636                           | (5,356)                         |
| (Decrease)/Increase in cash and cash equivalents             | (7,665)                         | 29,022                          |
| Cash and cash equivalents at the beginning of period         | 128,467                         | 96,620                          |
| Effect of exchange rate changes on cash and cash equivalents | (10)                            | (20)                            |
| Cash and cash equivalents at the end of period               | 120,792                         | 125,622                         |



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempt 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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Units 1709-14, 17th Floor, Manhattan Centre, 8 Kwai Cheong 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 directors, Luxury Booming is also the ultimate holding company of the Group.

## 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 2020 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 2019 (“**Financial Statements 2019**”, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The condensed consolidated interim financial statements has not been audited or reviewed by Company’s external auditors, but have been reviewed by the audit committee of the Company.

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 the adoption of the new or amended HKFRSs for annual periods beginning on 1 January 2020, 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 2019.

#### (a) Adoption of new or revised HKFRSs effective on 1 January 2020

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

|   |                                |
|---|--------------------------------|
| Amendments to HKFRS 3                         | Definition of a Business       |
| Amendments to HKAS 1 and<br>HKAS 8            | Definition of Material         |
| Amendments to HKFRS 9,<br>HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

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

|                                    |  |
|------------------------------------|--|
| HKFRS 17                           | Insurance Contracts <sup>1</sup>   |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Association or Joint Venture <sup>2</sup> |
| Amendments to HKFRS 16             | COVID-19-Related Rent Concessions <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2020.

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. The Group operates in Hong Kong and the PRC. All the Group's revenue are derived from Hong Kong, and more than 72% 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, as set out below:

|              | Six months ended 30 June        |                                 |
|--------------|---------------------------------|---------------------------------|
|              | 2020<br>(unaudited)<br>HK\$'000 | 2019<br>(unaudited)<br>HK\$'000 |
| Customer I   | 77,088                          | 93,729                          |
| Customer II  | 29,421                          | 20,439                          |
| Customer III | 23,854                          | N/A*                            |

\* The corresponding revenue does not contribute over 10% of the Group's revenue in respective period.

## 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.

|                                     | Six months ended 30 June        |                                 |
|-------------------------------------|---------------------------------|---------------------------------|
|                                     | 2020<br>(unaudited)<br>HK\$'000 | 2019<br>(unaudited)<br>HK\$'000 |
| <b>Revenue recognised overtime:</b> |                                 |                                 |
| Design and build projects           |                                 |                                 |
| – Podium facade and related works   | <b>87,378</b>                   | 90,403                          |
| – Curtain wall works                | <b>41,730</b>                   | 33,941                          |
|                                     | <b>129,108</b>                  | 124,344                         |
| Repair and maintenance services     | <b>6,416</b>                    | 7,067                           |
|                                     | <b>135,524</b>                  | 131,411                         |

### 6. OTHER INCOME AND GAINS

|                      | Six months ended 30 June        |                                 |
|----------------------|---------------------------------|---------------------------------|
|                      | 2020<br>(unaudited)<br>HK\$'000 | 2019<br>(unaudited)<br>HK\$'000 |
| Bank interest income | <b>22</b>                       | 19                              |
| Government subsidies | <b>2,033</b>                    | –                               |
|                      | <b>2,055</b>                    | 19                              |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after crediting:

|  | <b>Six months ended 30 June</b>          |                                 |
|--|--|---------------------------------|
|  | <b>2020<br/>(unaudited)<br/>HK\$'000</b> | 2019<br>(unaudited)<br>HK\$'000 |
| Auditor's remuneration   | <b>300</b>                               | 300                             |
| Cost of inventories recognised as expenses <sup>#</sup>        | <b>46,570</b>                            | 25,640                          |
| Depreciation charge:   |  |                                 |
| Property, plant and equipment*                                 | <b>590</b>                               | 769                             |
| Right-of-use assets*   |  |                                 |
| – building, car parks and machinery                            | <b>1,340</b>                             | 1,230                           |
| Warranty expenses <sup>#</sup>                                 | –  | 159                             |
| Employee benefit expenses<br>(including directors' emoluments) |  |                                 |
| – Salaries, allowances and other benefits                      | <b>25,729</b>                            | 23,727                          |
| – Contributions to defined contribution retirement plan        | <b>1,014</b>                             | 1,049                           |
| – Equity settled share-based payment                           | –  | 102                             |
|  | <b>26,743</b>                            | 24,878                          |

<sup>#</sup> Included in cost of revenue

<sup>\*</sup> 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 profit or loss and other comprehensive income:

|                           | Six months ended 30 June        |                                 |
|---------------------------|---------------------------------|---------------------------------|
|                           | 2020<br>(unaudited)<br>HK\$'000 | 2019<br>(unaudited)<br>HK\$'000 |
| Hong Kong Profits Tax     |                                 |                                 |
| – Current                 | <b>3,059</b>                    | 3,593                           |
| PRC Enterprise Income Tax |                                 |                                 |
| – Current                 | <b>3</b>                        | 3                               |
| Tax for the period        | <b>3,062</b>                    | 3,596                           |

For the six months ended 30 June 2020 and 2019, under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profit tax rates regime was only applicable to a nominated qualified entity in the Group while Hong Kong profit tax is calculated at 16.5% on the estimated assessable profit for the periods.

Enterprise Income Tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2019: 25%) on the estimated assessable profits for the period.



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

### **9. SHARE-BASED PAYMENT**

During the six months ended 30 June 2020, no share-based payment (six months ended 30 June 2019: HK\$102,000) has been recognised in the profit or loss. No corresponding amount (six months ended 30 June 2019: HK\$102,000) has been credited to share option reserve.

### **10. DIVIDENDS**

The Directors do not propose any payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

The final dividend of HK\$14,000,000 for the year ended 31 December 2019 has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 17 July 2020 (six months ended 30 June 2019: HK\$18,000,000 despatched on 12 July 2019).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 11. EARNINGS PER SHARE

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

|  | Six months ended 30 June |                     |
|--|--------------------------|---------------------|
|  | 2020<br>(unaudited)      | 2019<br>(unaudited) |
| <b>Earnings</b>  |                          |                     |
| Profit for the period attributable to owners of the Company (HK\$'000)       | 16,498                   | 18,584              |
| <b>Weighted average number of ordinary shares in issue</b>                   |                          |                     |
| Weighted average number of ordinary shares in issue during the period ('000) | 1,000,000                | 1,000,000           |
| Basic earnings per share (HK cents)  | 1.6                      | 1.9                 |

For the six months ended 30 June 2020 and 2019, diluted earnings per share are the same as the basic earnings per share as there were anti-dilutive effect arising from the share options.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of approximately HK\$181,000 (six months ended 30 June 2019: HK\$495,000). The Group did not disposed any items of property, plant and equipment during the six months ended 30 June 2020 and 2019.

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

**13. CONTRACT ASSETS AND CONTRACT LIABILITIES**

The following table sets out details of the contract assets and contract liabilities as the end of each reporting periods.

|   | <b>As at<br/>30 June<br/>2020<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2019<br>(audited)<br>HK\$'000 |
|---|--|---|
| Contract costs incurred to date plus<br>recognised profits less recognised losses | <b>1,572,809</b>   | 1,445,695   |
| Less: Progress billings to date   | <b>(1,493,748)</b>   | (1,373,813)   |
| Less: Expected credit losses allowance  | <b>(578)</b>   | (578)   |
|   | <b>78,483</b>  | 71,304  |
| Contract assets   | <b>81,106</b>  | 74,661  |
| Contract liabilities  | <b>(2,623)</b>   | (3,357)   |
|   | <b>78,483</b>  | 71,304  |

*Note:* Included in the balances were warranty provision made for design and build projects amounting to HK\$1,200,000 (31 December 2019: HK\$1,200,000).

Contract assets and contract liabilities are expected to be recovered/settled within one year.

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

**14. TRADE AND OTHER RECEIVABLES**

|                                  | <b>As at<br/>30 June<br/>2020<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2019<br>(audited)<br>HK\$'000 |
|----------------------------------|--|---|
| Trade receivables                | <b>40,675</b>  | 46,166  |
| Expected credit losses allowance | <b>(78)</b>  | (78)  |
|                                  | <b>40,597</b>  | 46,088  |
| Retention Receivables            | <b>20,702</b>  | 17,503  |
| Expected credit losses allowance | <b>(1,868)</b>   | (1,868)   |
|                                  | <b>18,834</b>  | 15,635  |
| Deposits and prepayment          | <b>21,929</b>  | 15,591  |
|                                  | <b>81,360</b>  | 77,314  |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. TRADE AND OTHER RECEIVABLES (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 expected credit losses allowance) at the end of each reporting period based on the invoice date as follows:

|                                   | <b>As at<br/>30 June<br/>2020<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2019<br>(audited)<br>HK\$'000 |
|-----------------------------------|--|---|
| Within 30 days                    | <b>19,471</b>  | 38,528  |
| 31–60 days                        | <b>14,983</b>  | 3,239   |
| 61–90 days                        | <b>3,426</b>   | 1,479   |
| Over 90 days but less than 1 year | <b>400</b>   | 859   |
| Over a year                       | <b>2,317</b>   | 1,983   |
|                                   | <b>40,597</b>  | 46,088  |

(c) **Retention receivables**

As at 30 June 2020, based on due date, the Group's retention receivables of approximately HK\$18,587,000 (31 December 2019: HK\$15,588,000) were not yet past due and the remaining balance of approximately HK\$247,000 (31 December 2019: HK\$47,000) were past due less than 1 year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the reporting periods as those balances are from customers with long business relationship and there has not been a significant change in their credit quality.

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

**15. TRADE AND OTHER PAYABLES**

|                             | <b>As at<br/>30 June<br/>2020<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2019<br>(audited)<br>HK\$'000 |
|-----------------------------|--|---|
| Trade Payables              | <b>20,696</b>  | 37,586  |
| Retention Payables          | <b>8,057</b>   | 7,806   |
| Accruals and other payables | <b>6,292</b>   | 10,184  |
|                             | <b>35,045</b>  | 55,576  |

*Notes:*

- (a) The credit period granted by the suppliers and subcontractors is normally 0 to 60 days.
- (b) The ageing analysis of the trade payables (net), based on invoice date, as of the end of each reporting period is as follows:

|                | <b>As at<br/>30 June<br/>2020<br/>HK\$'000<br/>(unaudited)</b> | As at<br>31 December<br>2019<br>HK\$'000<br>(audited) |
|----------------|--|---|
| Within 30 days | <b>10,107</b>  | 23,756  |
| 31–60 days     | <b>194</b>   | 7,612   |
| 61–90 days     | <b>4,429</b>   | 1,691   |
| Over 90 days   | <b>5,966</b>   | 4,527   |
|                | <b>20,696</b>  | 37,586  |

- (c) As at 30 June 2020, retention payables of approximately HK\$4,801,000 (31 December 2019: HK\$5,867,000) were aged one year or below and the remaining balance of approximately HK\$3,256,000 (31 December 2019: HK\$1,939,000) were aged over one year.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 16. BANK BORROWINGS

|   | <b>As at<br/>30 June<br/>2020<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2019<br>(audited)<br>HK\$'000 |
|---|--|---|
| Bank borrowings repayable within one year | <b>7,786</b>   | 1,000   |

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 2020 were 3.34% (31 December 2019: 4.78%) per annum.

### 17. SHARE CAPITAL

The share capital balance as at 30 June 2020 and 31 December 2019 is represented the issued and fully paid share capital of the Company as followings:

| <b>Ordinary share of HK\$0.01 each</b> | <b>Number<br/>of shares</b> | <b>Carrying<br/>values<br/>HK\$'000</b> |
|--|-----------------------------|---|
| <b>Authorised:</b>                     | 10,000,000,000              | 100,000                                 |
| <b>Issued and fully paid</b>           | 1,000,000,000               | 10,000                                  |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 18. GUARANTEES

The Group provided guarantee in respect of the surety bonds in favour of the customers of certain construction contracts. Details of these guarantees are as follows:

|   | <b>As at<br/>30 June<br/>2020<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2019<br>(audited)<br>HK\$'000 |
|---|--|---|
| Aggregate value of the surety bonds issued in favour of customers | <b>47,660</b>  | 58,518  |

### 19. LITIGATIONS

A number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding at the end of each of reporting periods. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the directors, sufficient insurance coverage is maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have material adverse impact on the financial position of the Group.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 20. RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in this 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        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2020<br>(unaudited)<br>HK\$'000 | 2019<br>(unaudited)<br>HK\$'000 |
| Salaries, allowances and other benefits               | 5,525                           | 5,100                           |
| Contributions to defined contribution retirement plan | 59                              | 59                              |
| Equity settled share-based payments                   | –                               | 102                             |
|   | <b>5,584</b>                    | 5,261                           |