

G&M Holdings Limited 信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6038

Annual Report 2025



ABOUT G&M

G & M is a subcontractor that focuses on providing podium facade and curtain wall works in Hong Kong with a history of over 30 years. 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 works in Hong Kong.



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CORPORATE INFORMATION

BOARD OF DIRECTORS (THE “BOARD”)

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

Mr. Tai Kwok Leung, Alexander
Mr. Kwan Cheuk Kui
Dr. Liu Yuk Shing

AUDIT COMMITTEE

Mr. Tai Kwok Leung, Alexander (*Chairman*)
Mr. Kwan Cheuk Kui
Dr. Liu Yuk Shing

NOMINATION COMMITTEE

Mr. Lee Chi Hung (*Chairman*)
Mr. Tai Kwok Leung, Alexander
Mr. Kwan Cheuk Kui
Dr. Liu Yuk Shing
Ms. Lam Suk Yee Patricia

REMUNERATION COMMITTEE

Mr. Kwan Cheuk Kui (*Chairman*)
Mr. Lee Chi Hung
Mr. Tai Kwok Leung, Alexander
Dr. Liu Yuk Shing

RISK MANAGEMENT COMMITTEE

Mr. Lee Chi Hung (*Chairman*)
Mr. Tai Kwok Leung, Alexander
Mr. Kwan Cheuk Kui
Dr. Liu Yuk Shing

JOINT COMPANY SECRETARIES

Ms. Huen Shuk Man
Mr. Lee Baldwin

REGISTERED OFFICE

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

Units 1101, 1102, 1103, 1107 and 1108,
11/F.
Magnet Place Tower I
77-81 Container Port Road
Kwai Chung, New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

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

COMPANY WEBSITES

www.gm-eng.com.hk

STOCK CODE

6038

CHAIRMAN'S STATEMENT

On behalf of the board (the “**Board**”) of Directors (the “**Directors**”) of G & M Holdings Limited (the “**Company**”) together with its subsidiaries (the “**Group**”), I am delighted to present the annual report of the Group for the year ended 31 December 2025 (the “**Year 2025**”).

Over the past year, the construction market has remained weak, with fewer new project opportunities and increasing competition across the industry. Both public and private sector clients have become more cautious, making project awards more difficult and placing greater pressure on pricing, programme, and technical requirements.

Despite these challenges, the Group has continued to demonstrate resilience and technical strength. Our involvement in the West Kowloon project reflects our capability in delivering complex facade works that require high levels of precision, coordination and installation expertise.

In response to the growing challenges in construction, we are also exploring ways to enhance our operational efficiency, streamline processes, and diversify our service offerings to better position ourselves in the market. We have increased the use of electronic applications in our installation and project management processes. These tools have helped improve coordination, quality control, and site efficiency. Looking ahead, we will continue to embrace innovation and explore greater use of artificial intelligence to enhance planning, productivity, and decision-making across our operations.

While the road ahead remains uncertain, we are committed to taking proactive measures to safeguard the interests of our shareholders and stakeholders. The Group has started exploring opportunities and promoting our specialty and technical capability in overseas locations, with a view to broaden our market reach, lessen reliance and reduce geographic specific risks. The Group will take a cautious approach to bid for potential overseas project(s) and pay particular attention to compliance with local rules and regulations, quality control, and financial and liquidity exposure.

The Board has declared a special dividend during the Year 2025. In view of the uncertainties in the Hong Kong market as aforesaid, the Board does not recommend the declaration of a final dividend for the Year 2025 in order for the Group to maintain reasonable financial reserves to take on both potential challenges and opportunities.

On behalf of the Board, I wish to take this opportunity to express our gratitude to our management and staff for their exceptional work efforts and investors and business partners for their continuous trust and support to the Group.

LEE Chi Hung

Chairman and Executive Director

Hong Kong, 26 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has 30 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 ("**Construction Business**").

BUSINESS AND FINANCIAL REVIEW

During the Year 2025, the Group recorded a decrease in revenue while maintaining a similar profit margin. In response to the economic downturn, we continued to implement strict expense control measures and improve operational efficiency in order to preserve profitability.

In the Year 2025, the construction industry faced a significant slowdown, with a noticeable reduction in new project opportunities and increasingly cautious sentiment across the private sector. The market became highly competitive, and securing new contracts was more challenging than in previous years. Nevertheless, as a result of our strong performance and established track record, we were able to secure several projects for the coming year. Due to intensified competition, the profit margins of awarded projects have decreased compared with previous years.

The Group will continue to adopt a prudent fiscal strategy, including resource integration and tighter cost management. As part of this approach, we have streamlined our organization and, regrettably, reduced the headcount of certain employees. Salaries were also adjusted accordingly.

On 23 June 2023, the Group entered into an agreement to acquire the exclusive right to exploit a coal mine. As the mine owner failed to register the mining licence for the coal mine with the relevant government authority in Mongolia, the Group considered that the mine owner had defaulted on its contractual obligation. Therefore, the full provision of impairment loss for the consideration paid of HK\$29,363,000 had been recognised in the Year 2024. The Group has already commenced legal proceeding against the relevant parties and is currently pending for response from the counter-parties.

Looking ahead, the Company remains committed to prudent financial management while exploring strategic opportunities to enhance business growth and operational resilience.

Revenue

During the Year 2025, the Group recorded a revenue of approximately HK\$380.4 million, representing a decrease of approximately HK\$48.9 million or 11.4% from that of approximately HK\$429.3 million for the year ended 31 December 2024 ("**Year 2024**"). Design and build projects contributed approximately HK\$322.0 million (Year 2024: HK\$404.7 million) of the Group's total revenue, representing approximately 84.6% (Year 2024: 94.3%) of the Group's total revenue whereas repair and maintenance services brought in revenue of approximately HK\$58.4 million (Year 2024: HK\$24.6 million), representing 15.4% (Year 2024: 5.7%) of the Group's total revenue.

Outlook and prospects

The Group's major projects on hand as at 31 December 2025 can be summarised as follows:

No.	Type of works undertaken	Location	Expected completion date	Estimated remaining contract value as at 31 December 2025 HK\$ million
1	Facade	West Kowloon, Kowloon	Dec-26	62.2
2	Facade	Sha Tin, New Territories	Nov-26	55.4
3	Facade	Ma Tau Kok, Kowloon	Jun-27	39.1
4	Facade	Central, Hong Kong	Nov-26	19.1
5	Facade	Causeway Bay, Hong Kong	Dec-27	17.5
				193.3

Subsequent to the end of the Year 2025 and up to the date of this report, the Group had been awarded two podium facade contracts with contract sum of approximately of HK\$127.4 million. Meanwhile, the Group is in the process of bidding for or pending the results of five sizeable project tenders with an estimated total contract value of over approximately HK\$323.0million, which comprised four podium facade projects with an estimated contract value of approximately HK\$287.8 million and a curtain wall projects with an estimated contract value of approximately HK\$35.2 million.

In light of the current market conditions, the limited availability of large-scale construction projects and our projects on hands be substantially completed by late 2026, apart from the design and build projects, the Group will continuously place greater emphasis on repair and maintenance works to diversify our project portfolio, maintain a steady revenue stream, and strengthen our presence in the public and private sectors. By focusing on smaller but more consistent opportunities, the Group seeks to enhance resource utilisation and improve overall operational stability.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$14.4 million or 12.5% from approximately HK\$114.5 million for the Year 2024 to approximately HK\$100.1 million for the Year 2025. Gross profit margin of the Group was approximately 26.3% for the Year 2025 as compared with that of approximately 26.7% for the Year 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by approximately HK\$5.8 million or 15.8% from approximately HK\$36.6 million for the Year 2024 to approximately HK\$42.4 million for the Year 2025. Such increase was mainly due to more manpower allocated to tendering department for bidding projects. Hence less share of their costs were recorded as cost of revenue, while the portion left in the administrative expenses increased significantly by HK\$5.6 million in the Year 2025.

Income tax expense

The Group's operation is based in Hong Kong which is subject to Hong Kong Profits Tax calculated at 8.25% and 16.5% of the estimated assessable profit under two-tiered profits tax rates regime during the reporting periods.

For the Year 2025, the Group recorded income tax expense of approximately HK\$9.7 million (Year 2024: approximately HK\$12.7 million) representing an effective tax rate of approximately 14.8% (Year 2024: approximately 22.8%).

Profit for the Year

The Group's profit for the Year 2025 amounted to approximately HK\$55.6 million, representing an increase of approximately HK\$12.4 million or 28.7% as compared to approximately HK\$43.2 million for the Year 2024.

Such increase was mainly due to the decrease in impairment loss of approximately HK\$33.1 million and decrease in income tax expense of approximately HK\$3.1 million and net-off with decrease in gross profit of approximately HK\$14.4 million as discussed above, decrease in other income of approximately HK\$4.2 million and increase in administrative and other operation expenses of approximately HK\$5.8 million.

Receivable turnover days

The Group's receivable turnover days for the Year 2025 was approximately 31.4 days as compared to approximately 64.3 days for the Year 2024. The Group did not observe any signs of default on any of its trade receivables balance as at 31 December 2025.

Bank borrowings

There is no bank borrowings as at 31 December 2025 and 2024.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's gearing ratio, calculated by dividing bank borrowings by total equity, as at 31 December 2025 was zero as there was no bank borrowings as at 31 December 2025.

The Group's cash and cash equivalents balances as at 31 December 2025 amounted to approximately HK\$387.3 million, representing an increase of approximately HK\$164.6 million as compared to approximately HK\$222.7 million as at 31 December 2024. Such increase was mainly due to the money received from customers and decrease in fixed time deposit that over three months. The Group do not place fixed time deposits that over three months (Year 2024: HK\$112.6 million).

The Group had no bank borrowings as at 31 December 2025.

Foreign Exchange

The Group mainly operates in Hong Kong and majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong Dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engage in any derivatives contracts to hedge its exposure to foreign exchange risk during the Year 2025.

CAPITAL EXPENDITURES AND COMMITMENTS

As at 31 December 2025, the Group did not have any capital commitments.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the Year 2025.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year 2025, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at 31 December 2025 and 2024, there is no pledged assets.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group has kept good communications and built a close and caring relationship with its employees and business partners to achieve its long-term business growth and development.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 91 staff as at 31 December 2025 (31 December 2024: 106 staff) and the total employee benefit expenses for the Year 2025 amounted to approximately HK\$64.1 million (Year 2024: HK\$71.7 million). Such decrease was mainly contributed to the decrease in manpower. 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 the 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.

Senior management remuneration

Emoluments paid or payable to members of senior management who are not Directors were within the following band:

	2025 Number of individuals	2024 Number of individuals
HK\$1,000,001 to HK\$1,500,000	4	4
HK\$1,500,001 to HK\$2,000,000	1	2

Customers, suppliers and subcontractors

The Group maintains a close and stable relationship of more than 15 years with the majority of its major customers, with some going over 20 years. The Group is generally invited by its customers to submit tenders for potential projects. The pricing on projects is determined by reference to the estimated costs plus a profit margin having taken into consideration the project type, design and scale, target completion date and the Group's availability of resources. The Group endeavours to maintain its presence and keep abreast of opportunities in the market by continuous communication and working with customers, potential customers and by responding to tender invitations, it may however from time to time decide to turn down certain tender enquiries in order to focus on other target projects. The Group has been making continuous efforts to diversify its customer base by targeting projects of different scales and from different customers.

The Group has built up a stable pool of suppliers and subcontractors over the 25 years of its operating history, which allows the Group to effectively maintain the quality of its works, including the quality of materials and workmanship. An internal list of approved suppliers and subcontractors is maintained and updated on a continual basis. The Group assigns a project manager to each project to monitor and supervise the working process of the contractors and to ensure they have met the workmanship, safety and other applicable regulatory compliance requirements. The Group has not experienced any shortage or delay in supply of materials and labour.

ENVIRONMENTAL POLICIES

The Group's in-house rules contain measures and work procedures in relation to environmental protection which are required to be followed by the Group's employees, including the followings.

Air pollution control:

- (i) Dust suppression by use of water.
- (ii) Installation of dust screens as required.
- (iii) Use of low-dust techniques and equipment as required.

Noise control:

- (i) Inspection and maintenance of all equipment before use for permitted noise level compliance.
- (ii) Works to be undertaken in accordance with the permitted work hours.

Waste disposal:

- (i) Waste to be segregated into general wastes and construction wastes before transporting to the designated site rubbish collection point.

The Group's operation does not directly produce greenhouse gases or hazardous wastes. The Group monitors energy consumption in its supportive functions, such as fuel consumption/mileage usage in motor vehicles, electricity consumption in office and requiring office staff to switch off electricity supply when not in use.

COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company's subsidiaries in Hong Kong. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in each of the above jurisdictions. During the Year 2025 and up to the date of this report, the Group's operations have complied with all the relevant laws and regulations in the above jurisdiction in all material respect.

PRINCIPAL RISK AND UNCERTAINTY

The Group's operation is subject to general economic and market risks which may affect the competition and profitability of projects in the podium facade and curtain wall works industry. Furthermore, the projects undertaken by the Group are awarded on a project-by-project basis through tendering; failure to obtain continuity of the order book for new projects could materially affect the Group's financial performance. Revenue from a few of the Group's customers accounted for a substantial portion of the Group's revenue; inability to retain business relation with and/or secure sufficient new business from them may adversely affect the Group's operation and financial performance.

EVENTS AFTER THE FINANCIAL YEAR

No event has occurred after 31 December 2025 and up to the date of this report which would have a material effect on the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance and considers that conducting business in an ethical and responsible manner will generate the highest level of benefits to its shareholders and the Group in the long term. The Board will continuously review and improve the Group's corporate governance practices in order to uphold a transparent and effective corporate governance function for the Group.

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") and has complied with the CG Code during the Year 2025, except in relation to provision C.2.1 of the CG Code which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee Chi Hung, an executive Director, is both the chairman of the Board and the chief executive officer of the Company. With over 30 years of experience in the construction industry in Hong Kong, Mr. Lee is responsible for the overall management of the Group's operations and business development and is instrumental to the Group's growth and business expansion since the establishment in November 1993. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Lee), one non-executive Director and three independent non-executive Directors and therefore has a strong independence element in its composition.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 of the Listing Rules and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code during the Year 2025 and up to the date of this report.

BOARD OF DIRECTORS

The Board is responsible for leading and directing the Group's business through formulation of overall strategies and policies, evaluation of performance and overseeing the management function. In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions objectively in the best interests of the Company and its shareholders. The execution of strategies and implementation of policies in the Group's daily operations are delegated to the management team. The Board is also responsible for performing the functions set out in the code provision C.1 of the CG Code.

CORPORATE GOVERNANCE REPORT

During the Year 2025 and up to the date of this report, the number of independent non-executive Directors was in compliance with the requirement under Rules 3.10 and 3.10A of the Listing Rules. The composition of the Board, service tenure and the attendance record of each Director at board meetings and general meeting during the Year 2025 are as below:

	Appointed	Subject to retirement by	Attendance/ Board meeting held	Attendance/ General meeting held
<i>Executive Directors</i>				
Mr. Lee Chi Hung (<i>Chairman and Chief Executive Officer</i>)	29 November 2016	2028 annual general meeting	4/4	1/1
Ms. Lam Suk Yee Patricia	18 June 2020	2027 annual general meeting	4/4	1/1
<i>Non-executive Director</i>				
Mr. Leung Ping Kwan	9 January 2017	2026 annual general meeting	4/4	1/1
<i>Independent Non-executive Directors</i>				
Mr. Tai Kwok Leung, Alexander	12 May 2017	2026 annual general meeting	4/4	1/1
Mr. Kwan Cheuk Kui	12 May 2017	2028 annual general meeting	4/4	1/1
Dr. Liu Yuk Shing	1 July 2024	2028 annual general meeting	4/4	1/1

Biographic details of and the relationship amongst the Directors are presented in the “Directors and Senior Management” section of this annual report. Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, while each of the non-executive Director and independent non-executive Directors has been appointed for an initial term of three years. Notwithstanding the specific term of appointment, provisions of the Company’s articles of associations require that every Director is subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the next general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Each of the Directors has participated in continuous professional development seminar organised by the Company to develop their knowledge and skills during the Year 2025.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence and considers that each of them to be independent by reference to the Rule 3.13 of the Listing Rules.

The composition of the Board provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal and the independent non-executive Directors provide independent judgment in the Board’s overall decision making process.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

The Company recognised that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development.

The Board shall comprise members with the following attributes in order to achieve a sufficient balance of knowledge and perspectives in discharging the Board's duties:

- management skills and experience;
- industry specific knowledge and experience relevant to the Group;
- financial management skills and experience; and
- legal and compliance expertise.

The Company does not discriminate on the basis of gender, age and other personal backgrounds in assessing the suitability of candidate for appointment to the Board. The Board currently comprised 5 male and 1 female Directors and the nomination committee shall take the opportunity to enhance gender balance of the Board over time in the selection of candidates amongst those who are equally competent and possess the desired attributes.

BOARD COMMITTEE

As an integral part of good corporate governance, the Board has established four committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The composition of each committee and attendance of members at committee meetings held during the Year 2025 are as follow:

Composition of Board committees	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Attendance/Number of meetings held (C = Chairman; M = Member of the committee)				
<i>Independent Non-executive Directors</i>				
Mr. Tai Kwok Leung, Alexander	4/4(C)	2/2(M)	2/2(M)	2/2(M)
Mr. Kwan Cheuk Kui	4/4(M)	2/2(M)	2/2(C)	2/2(M)
Dr. Liu Yuk Shing	4/4(M)	2/2(M)	2/2(M)	2/2(M)
<i>Executive Director</i>				
Mr. Lee Chi Hung	N/A	2/2(C)	2/2(M)	2/2(C)
Ms. Lam Suk Yee Patricia (appointed on 26 June 2025)	N/A	0/0	N/A	N/A

Audit committee

The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The audit committee has met with the Company's management to review its interim and final financial statements for the Year 2025 and met the Company's auditor to discuss auditor's independence, audit approach, key audit matters, results of audit for the Year 2025. The audit committee has met with the chairman of the Board and the auditor, separately and without the presence of management, for discussion of matters which may be of sensitive nature. The audit committee has also met with and reviewed the report of the Company's internal control adviser for their review on selected areas of the Group's internal control system for the Year 2025. Further information on the Group's risk management and internal control is set out in the section headed "Risk Management and Internal Control" of this report.

Nomination committee

The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management. The nomination committee has reviewed the independence of independent non-executive Directors, considered the retirement and proposal for appointment of Directors at the Company's annual general meeting, and considered the appointment of a new independent non-executive Director to fill up vacancy on the Board during the Year 2025. The nomination committee is of the view that the Board comprised the suitable qualifications and diversity for leading and governing the Group.

The nomination committee is also responsible for monitoring the diversity of the Group's workforce and is of the opinion that there is no significant gender imbalance therein. The gender distribution of the Group's employees (excluding Directors) as at 31 December 2025 is as follows.

	Headcount	Percentage
Male	66	72.5%
Female	25	27.5%

Further workforce diversity information is set out in the environmental, social and governance report.

Remuneration committee

The responsibilities of the remuneration committee are to make recommendations to the Board on policy and structure for Directors' and senior management's remuneration, and to ensure that no Director is involved in deciding his own remuneration. The remuneration committee has assessed the performance and remuneration of executive Directors and senior management for the Year 2025 and made recommendations to the Board thereon.

Risk management committee

The primary duties of the risk management committee are to oversee the Group's risk management and internal control systems, to review risk reports and any material breaches of risk limits, and to review the effectiveness of our Company's risk management system. Further information on the Group's risk management and internal control is set out in the section headed "Risk Management and Internal Control" of this report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Company's strategic objectives.

The risk management committee supports the Board in ensuring the effectiveness of the risk management and internal control of the Group and reports to the Board on any material issues identified. The risk management committee has conducted an update risk assessment during the Year 2025 according to the Group's latest operation; key risks identified are recorded in a risk register and assigned to a risk owner who shall ensure such risks are continuously monitored and properly controlled according to the prescribed procedures.

The Group adopted a manual of policies and procedures to provide guidance on compliance with internal control and risk management in various operational and management functions, including but not limited to project tendering, procurement, financial reporting, treasury and risk management etc.

The Company has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. The Company has engaged an external independent consultant to conduct a review on the internal control system of the Group during the Year 2025 and to report their findings to the risk management committee and the Board. The review scope for the Year 2025 covered sales and revenue, account receivable, cash and treasury and tender process management.

Based on review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

AUDITOR'S REMUNERATION

The fees in respect of the audit and non-audit services provided to the Group by the Company's auditor, BDO Limited for the Year 2025 is as below:

Fee Amount	HK\$'000
Audit services	670
Non-audit services	—
	670

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the financial position of the Group. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 27 to 31 of this annual report. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

JOINT COMPANY SECRETARIES

The Company's joint company secretaries are Ms. Huen Shuk Man and Mr. Lee Baldwin. Ms. Huen is an employee of the Company, while Mr. Lee is an external service provider. Ms. Huen is the primary contact person at the Company with Mr. Lee. During the Year 2025, each of Ms. Huen and Mr. Lee has taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rule.

The joint company secretaries coordinate the supply of information about the Group to the Directors. All Directors have access to the joint company secretaries to ensure that Board procedures are followed.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

One or more shareholders holding not less than 10% of the paid up capital of the Company may convene an extraordinary general meeting by making a requisition in writing, specifying any business for transaction at such meeting, to the Directors or the joint company secretaries.

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong (at Units 1101, 1102, 1103, 1107 and 1108, 11th Floor, Magnet Place Tower 1, 77-81 Container Port Road, Kwai Chung, New Territories, Hong Kong) or its branch share registrar and transfer office in Hong Kong (Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong) at least seven clear days before the date of the general meeting.

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company maintains a corporate website at www.gm-eng.com.hk to disseminate latest information about the Group. The Company's constitution document and terms of reference of board committees are also available for download at Company's website. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, general meetings to answer questions from shareholders.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of the Group for the Year 2025.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings. The principal activities of 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 principal activities of the subsidiaries of the Company are set out in note 28 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the Year 2025, a discussion about the Group's future business development and an analysis of the Group's performance using financial key performance indicators are set out in the section headed "Management Discussion and Analysis – Business and Financial Review" in this annual report and a discussion of the principal risks and uncertainties facing by the Group is included in the section headed "Management Discussion and Analysis – Principal Risk and Uncertainty" in this annual report and note 36 to the consolidated financial statements. The review forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The Group's results for the Year 2025 are set out in the consolidated statement of comprehensive income on page 32 of this annual report.

A special dividend of HK3.5 cents per share were declared during the Year 2025. Having considered the latest financial position and funding needs of the Group, the Board does not recommend the payment of a final dividend for the Year 2025.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 100 of this annual report. Such summary does not form part of the audited consolidated financial statements.

DONATIONS

Charitable donations made by the Group during the Year 2025 amounted to approximately HK\$51,000.

SHARE CAPITAL

Details of movement in the Company's share capital during the Year 2025 are set out in note 24 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the Year 2025 are set out in the consolidated statement of changes in equity on pages 34 to 35 of this annual report. Details of movement in the Company's reserves during the Year 2025 are set out in note 27 to the consolidated financial statements.

The Company's distributable reserves amounted to approximately HK\$160.3 million as at 31 December 2025.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 12 May 2017. No share options were granted, exercised, lapsed or cancelled during the year ended 31 December 2025.

During the year ended 31 December 2024, 3,000,000 share options were exercised. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$0.199.

The number of share options available for grant by the Company under the Share Option Scheme was 97,000,000 share options as at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025.

The total number of shares available for issue by the Company under the Share Option Scheme was 97,000,000 share options, which represents 9.67% of the Company's issued shares as at the date of the annual reports (26 March 2026 and 25 March 2025).

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. It is expected that grantees of an option will make an effort to contribute to the Group's development so as to bring about an increased market price of the Company's shares in order to capitalise on the benefits of the options granted. The Board may, at its absolute discretion, grant options pursuant to the Share Option Scheme to any directors or employees of the Company or its subsidiaries and any other persons (including customer, supplier, adviser or consultant of the Group) on the basis of the Board's opinion as to the grantee's contribution to the development and growth of the Group.

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 100,000,000 (being 10% of the shares in issue on 13 June 2017 when the shares of the Company first commenced dealing on the Stock Exchange) (the "**General Scheme Limit**"). Subject to the approval of shareholders in general meeting, the Company may renew the General Scheme Limit to the extent that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group as renewed must not exceed 10% of the Shares in issue as at the date of approval provided that the options previously granted will not be counted for purpose of calculating the General Scheme Limit as renewed.

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being.

DIRECTORS' REPORT

The subscription price for shares under the Share Option Scheme will be a price determined by the Board, but shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of grant.

The Share Option Scheme will remain in force for a period of 10 years from 13 June 2017 until 12 June 2027.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the Year 2025.

DIRECTORS

The Directors of the Company during the Year 2025 and up to the date of this report are as follow.

Executive Directors

Mr. Lee Chi Hung ("**Mr. Lee**") (*Chairman and Chief Executive Officer*)

Ms. Lam Suk Yee Patricia ("**Ms. Lam**")

Non-executive Director

Mr. Leung Ping Kwan ("**Mr. Leung**")

Independent Non-executive Directors

Mr. Tai Kwok Leung, Alexander

Mr. Kwan Cheuk Kui

Dr. Liu Yuk Shing

In accordance with the provisions of the Company's articles of association, Mr. Leung Ping Kwan and Mr. Tai Kwok Leung, Alexander will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual meeting has a service contract with the Company or any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DEED OF NON-COMPETITION

The controlling shareholders of the Company has given an unconditional and irrevocable non-competition undertaking in favour of our Company and its subsidiaries on 12 May 2017 to protect the Group from any potential competition with the controlling shareholders. The controlling shareholders have confirmed full compliance with the terms of the non-competition undertaking during the Year 2025. Furthermore, the Directors, including independent non-executive Directors, have carried out certain review procedures and nothing has come to their attention that there has been non-compliance with the terms of the non-competition undertaking during the Year 2025.

DIRECTORS' REPORT

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year 2025.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except as disclosed elsewhere in this annual report, none of the Directors or controlling shareholders, nor a connect party of any Directors or controlling shareholders, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party during the Year 2025.

DISCLOSURE OF INTERESTS

As at 31 December 2025, the interests and short positions of Directors and the chief executive of the Company in 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, are as follows:

(i) Directors' interests in the Company

Name of Directors	Capacity	Number of Shares interested	Percentage of shareholding
Mr. Lee	Interest in a controlled corporation; interest held jointly with another person (<i>Note 1</i>)	750,000,000	74.8%
Mr. Leung	Interest in a controlled corporation; interest held jointly with another person (<i>Note 1</i>)	750,000,000	74.8%
Ms. Lam	Interest of spouse (<i>Note 2</i>)	750,000,000	74.8%

(ii) Directors' interests in 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	74.8%
Mr. Leung	Luxury Booming	Beneficial owner	1	74.8%
Ms. Lam	Luxury Booming	Interest of spouse (Note 2)	3	74.8%

Notes:

- Luxury Booming is the registered and beneficial owner holding 74.8% 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.

So far as the directors are aware, as at 31 December 2025, 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/ interested in	Long/short position	Percentage of shareholding
Luxury Booming (Note 1)	Beneficial owner	750,000,000	Long	74.8%
Ms. Ku Nga Ping (Note 2)	Interest of spouse	750,000,000	Long	74.8%

DIRECTORS' REPORT

Notes:

1. Luxury Booming is the registered and beneficial owner holding 74.8% 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 in under the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2025, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 94.6% and 70.6% of the Group's total turnover respectively.

During the Year 2025, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 56.6% and 15.8% of the Group's total purchases respectively.

To the best of the knowledge of the Directors, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major customers or suppliers.

DIVIDEND POLICY

The Company may declare and distribute dividends to the shareholders of the Company (the "**Shareholders**") to allow Shareholders to share the Company's profit and for the Company to retain adequate reserves for future growth. The Company does not adopt a fixed proportion profit distribution as dividend policy; instead the Board shall also take into account variety factors, including but not limited to the Group's financial conditions, availability, future operations and funding needs for expansion when considering the declaration of a dividend.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the Year 2025 are disclosed in note 33 to the consolidated financial statements, none of which constituted connected transactions or continuing connected transactions subject to reporting requirement under Chapter 14A of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, the Directors are indemnified and secured harmless out of the assets of the Company against all losses and liabilities which may incur or sustain in execution of their duty, except such which they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out directors' liability insurance that provides the appropriate cover for the Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules during the Year 2025 and up to the date of this annual report.

AUDITOR

The consolidated financial statements for the Year 2025 have been audited by BDO Limited, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint BDO Limited will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board of
G & M Holdings Limited

LEE Chi Hung
Chairman and Executive Director

Hong Kong, 26 March 2026

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lee Chi Hung (李志雄), aged 60, is the chairman of the Board and the chief executive officer of the Company. Mr. Lee is primarily responsible for the overall management of the Group's operations and business development. Mr. Lee obtained an endorsement to higher certificate in mechanical engineering from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1988. Mr. Lee has over 30 years of experience in the construction industry in Hong Kong since joining the Group. In November 1993, Mr. Lee founded G & M Engineering Company Limited with Ms. Ku Nga Ping and he has been handling the Group's business development and operations since then. Mr. Lee is also a director of all the subsidiaries of the Group.

Ms. Lam Suk Yee Patricia (林淑儀), aged 60, has over 25 years of extensive experiences in management and administration in Hong Kong. She is currently a shareholder and a director of two private companies engaged in properties investment and letting. Ms. Lam is also a director of two of the Group's subsidiaries, Join Forward Group Limited and Edelman Global Limited. Ms. Lam is the spouse of Mr. Lee Chi Hung, an executive Director and a substantial shareholder of the Company. Ms. Lam is deemed, or taken to be, interested in all shares in which Mr. Lee has interest under Part XV of the Securities and Futures Ordinance, which being 750,000,000 shares of the Company, representing 74.8% of the issued share capital of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Leung Ping Kwan (梁炳坤), aged 64, is responsible for providing technical advice in relation to the Group's business. He is a registered skilled worker under Construction Workers Registration Ordinance (Chapter 583 of the laws of Hong Kong) as curtain wall installer, glazier, metal worker, general welder and curtain wall and glass panes installer (master), who possesses not less than 15 years of experience in these trade divisions. He has more than 25 years of experience in the construction industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tai Kwok Leung, Alexander (戴國良), aged 68, is an independent non-executive Director and joined the Group in May 2017. Mr. Tai is a responsible officer and executive director of Finet Securities Limited (Stock code: 8317), which is listed on the Stock Exchange since 15 January 2024. Mr. Tai was retired as a director of VMS Securities Limited as at 29 December 2023 and was a managing director and the head of Corporate Finance Department of Investec Capital Asia Limited. Mr. Tai is licensed under the Securities and Futures Ordinance to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Mr. Tai is an independent non-executive director of China Star Entertainment Limited (Stock code: 0326) and BExcellent Group Holdings Limited (Stock code: 01775) which are listed on the Stock Exchange. Mr. Tai is also an independent non-executive director of Qingdao Eoroom Intelligent Technology Co., Ltd. (Stock code: 874535.NQ), which is listed on National Equities Exchange and Quotations on 20 September 2024 and Eastroc Beverage (Group) Co., Ltd. (Stock code: 605499), which is listed on the Shanghai Stock Exchange with effect from 2 April 2025. Mr. Tai is retired from Shengjing Bank Co., Ltd. (Stock code: 2066) which is listed on the Stock Exchange with effect from 14 October 2024. Mr. Tai graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in Commerce and Administration in 1982. He is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

Mr. Kwan Cheuk Kui (關卓鉅), aged 61, is an independent non-executive Director and joined the Group in May 2017. Mr. Kwan obtained a degree of Bachelor of Arts and a Postgraduate Certificate in Laws from the University of Hong Kong in November 1987 and June 1992 respectively. He has been admitted as a solicitor in Hong Kong since December 1994. Mr. Kwan is currently a partner of Rowdget W. Young & Co.

Dr. Liu Yuk Shing (廖育成), aged 57, is an independent non-executive Director and joined the Company in July 2024. Dr. Liu holds a Higher Diploma in Structural Engineering and a degree of Bachelor of Engineering in Civil Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University), a degree of Master of Science in Engineering from The University of Hong Kong, and a degree of Doctor of Business Administration from Tarlac State University in the Philippines.

Dr. Liu is a professional engineer and has over 30 years of experience in civil, structural and geotechnical consultancy, as well as project management for civil and building projects. He is currently a Registered Structural Engineer and a Registered Inspector, and has the capacity to carry out statutory duties in Hong Kong under the Buildings Ordinance.

Dr. Liu holds various professional qualifications and memberships in various professional organisations: Fellow of The Geological Society of London and The Society of Operations Engineers; Fellow Member of Chartered Association of Building Engineers, The Hong Kong Institution of Engineers and The Institution of Structural Engineers, London; Member of Hong Kong Institute of Steel Construction, Hong Kong Concrete Institute, The Welding Institute, The Chartered Institute of Arbitrators and The Institution of Civil Engineers. He is also a Chartered Engineer under Engineering Council, and a Chartered Environmentalist of Society for the Environment.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the date of this annual report; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders as at the date of this annual report; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this annual report.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGERMENTS

Mr. Chan Wai Yin (陳偉賢), aged 60, is the tendering and marketing manager. He is mainly responsible for overseeing tender process and marketing matters. Mr. Chan joined the Group in February 1999. He obtained a degree of Bachelor of Business Administration from The University of Oklahoma in the United States in May 1991. Mr. Chan has over 25 years of experience in the construction industry in Hong Kong. Mr. Chan is a board member of Hong Kong Facade Association.

Mr. Tong Wai Shing, Wilson (湯偉成), aged 47, is the project director of the Group. He is primarily responsible for organising, managing and supervising the Group's projects. He holds a Master degree of Science in construction law and dispute resolution from the Hong Kong Polytechnic University. Mr. Tong has over 20 years of experience in the construction industry in Hong Kong.

Mr. Chau Kam Hoi (周金海), aged 58, is the project director of the Group and joined the Group in June 2007. He is primarily responsible for organising, managing and supervising the Group's projects. He holds a degree of Bachelor of Science in construction project management from the University of Central Lancashire. He also obtained a postgraduate certificate in Building Engineering from HKU school of Professional and Continuing Education in March 2024. Mr. Chau has over 20 years of experience in the construction industry in Hong Kong.

Mr. Chung Siu Lun (鍾兆麟), aged 48, is the project director of the Group and joined the Group in January 2007. He is primarily responsible for organising, managing and supervising the Group's projects. He holds a degree of Bachelor of building services engineering from the Hong Kong Poly University. Mr. Chung has over 20 years of experience in the construction industry in Hong Kong.

Ms. Huen Shuk Man (禰淑敏), aged 41, is the financial controller of the Group and one of the joint company secretaries of the Company and joined the Group in October 2015. She is primarily responsible for the financial reporting and financial control matters, and the company secretarial matters of the Group. She holds a degree of Bachelor of Business Administration in accountancy from the City University of Hong Kong and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Ms. Huen has over ten years of experience in auditing, accounting and financial management. Ms. Huen is also a director of a subsidiary of the Group.

Save as disclosed above, each of the senior management (i) did not hold other positions in the Company or other members of the Group; and (ii) had no other relationship with any Directors, senior management members or substantial or controlling shareholders.

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF G & M HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of G & M Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 32 to 99 which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “**Code**”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO Limited
香港立信德豪會計師事務所有限公司

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INDEPENDENT AUDITOR'S REPORT

Recognition of contract revenue, contract assets and contract liabilities for design and build contracts

Refer to notes 4(i), 4(j), 5(b)(i), 7 and 18 to the consolidated financial statements

For the year ended 31 December 2025, the Group recognised revenue from the contracts of design and build projects amounting to HK\$321,999,000 and as at 31 December 2025, the Group recorded contract assets and contract liabilities for the contracts of design and build projects of HK\$60,639,000 and HK\$96,443,000 respectively. Contract revenue is recognised over time by measuring the progress towards complete satisfaction of the performance obligation on the basis of contract costs incurred to date as a proportion to the total estimated contract costs, whereas the measurement of contract assets and contract liabilities is also dependent on estimation of contract costs. As disclosed in note 5(b)(i) to the consolidated financial statements, the estimation of contract costs for an individual contract, which mainly comprise subcontracting charges, materials and processing charges and direct labour, is supported by contract budget which is prepared by the directors and the management based on quotations provided by subcontractors and suppliers/vendors and is subject to the directors' and the management's experience, which is revised regularly as the contract progresses. Apart from the above, variable considerations, which mainly arise from variation orders, are recognised as contract revenue to the extent that such variation orders have been approved by the customers and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, which is subject to estimation and judgment by the management.

We identified recognition of contract revenue, contract assets and contract liabilities for design and build contracts as key audit matter because the estimation of contract costs and the recognition of variable considerations require the use of significant management judgment and involve estimation uncertainty.

Our audit procedures in relation to the recognition of contract revenue, contract assets and contract liabilities included:

- Understanding the procedures and relevant controls of the Group in preparing and updating budgets for construction works and recording contract costs.
- Agreeing estimated contract costs to respective contract budgets, on a sample basis.
- Evaluating reasonableness of contract budgets through discussion with management about the work scope and requirements of selected contracts and the preparation of budgets for those contracts, and challenging management's basis in preparing the budgets having regard to the requirements/updated requirements of the contracts and retrospective review of the actual outcome of contracts.
- Testing contract costs incurred to date and estimated total costs to underlying supporting evidence, on a sample basis.
- Assessing reliability of contract budgets by comparing actual contract costs against budgeted costs of completed projects and evaluating how the variances arose.
- Testing material variation orders to underlying supporting evidence, on a sample basis and verifying if significant reversal of previously recognised variation orders occurred during the year.
- Checking the calculations of progress towards complete satisfaction of performance obligation of individual contract and the amounts of contract revenue and gross profit recognised.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Lee Ming Wai

Practising Certificate no. P05682

Hong Kong, 26 March 2026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	7	380,422	429,312
Cost of revenue		(280,284)	(314,856)
Gross profit		100,138	114,456
Other income, gains and losses	8	7,392	11,652
Administrative and other operating expenses		(42,387)	(36,618)
Impairment loss reversed/(recognised) on trade and retention receivables and contract assets		215	(3,544)
Impairment loss on deposit paid for acquisition of a mining right	16	–	(29,363)
Fair value gain on financial assets at fair value through profit or loss		338	82
Finance costs	9	(451)	(737)
Profit before income tax	10	65,245	55,928
Income tax expense	11	(9,674)	(12,738)
Profit for the year		55,571	43,190
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising from translating foreign operation		14	(50)
Total comprehensive income for the year		55,585	43,140
Profit for the year attributable to owners of the Company		55,571	43,190
Total comprehensive income for the year attributable to owners of the Company		55,585	43,140
		HK cents	HK cents
Earnings per share	14		
– Basic		5.5	4.3
– Diluted		5.5	4.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	3,069	3,347
Deposits	19	509	–
Right-of-use assets	29	4,105	2,832
Deposit paid for acquisition of a mining right	16	–	–
		7,683	6,179
Current assets			
Inventories	17	612	1,020
Contract assets	18(b)	62,663	80,917
Trade and other receivables, deposits and prepayments	19	20,459	64,833
Financial assets at fair value through profit or loss	20	1,223	886
Income tax recoverable		2,038	–
Time deposits with original maturity over three months	21	–	112,626
Cash and bank balances	22	387,299	222,715
		474,294	482,997
Current liabilities			
Contract liabilities	18(c)	99,745	137,154
Trade and other payables	23	45,538	69,715
Lease liabilities	29	1,471	3,058
Tax payable		–	2,057
Dividend payables		35,105	–
		181,859	211,984
Net current assets		292,435	271,013
Total assets less current liabilities		300,118	277,192
Non-current liabilities			
Lease liabilities	29	2,648	202
Net assets		297,470	276,990
CAPITAL AND RESERVES			
Share capital	24	10,030	10,030
Reserves	27	287,440	266,960
Total equity		297,470	276,990

On behalf of the directors

Lee Chi Hung
Director

Lam Suk Yee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Equity attributable to owners of the Company					
	Share capital HK\$'000 (note 24)	Share premium* HK\$'000 (note 27)	Merger reserve* HK\$'000 (note 27)	Translation reserve* HK\$'000 (note 27)	Retained profits* HK\$'000 (note 27)	Total equity HK\$'000
As at 1 January 2025	10,030	83,424	(4,592)	(233)	188,361	276,990
Profit for the year	-	-	-	-	55,571	55,571
Other comprehensive income for the year:						
Exchange difference arising from translating foreign operation	-	-	-	14	-	14
Total comprehensive income for the year	-	-	-	14	55,571	55,585
Special dividend declared (note 13(a))	-	-	-	-	(35,105)	(35,105)
At 31 December 2025	10,030	83,424	(4,592)	(219)	208,827	297,470

* The total of these equity accounts at the end of the reporting period represents "Reserves" in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Equity attributable to owners of the Company						
	Share capital HK\$'000 <i>(note 24)</i>	Share premium* HK\$'000 <i>(note 27)</i>	Merger reserve* HK\$'000 <i>(note 27)</i>	Translation reserve* HK\$'000 <i>(note 27)</i>	Share-based payments reserve* HK\$'000 <i>(note 27)</i>	Retained profits* HK\$'000 <i>(note 27)</i>	Total equity HK\$'000
As at 1 January 2024	10,000	82,848	(4,592)	(183)	123	225,371	313,567
Profit for the year	–	–	–	–	–	43,190	43,190
Other comprehensive income for the year:							
Exchange difference arising from translating foreign operation	–	–	–	(50)	–	–	(50)
Total comprehensive income for the year	–	–	–	(50)	–	43,190	43,140
Shares issued upon exercise of share options <i>(note 24)</i>	30	576	–	–	(123)	–	483
2023 final dividend approved <i>(note 13(b))</i>	–	–	–	–	–	(20,020)	(20,020)
2024 interim dividend declared <i>(note 13(a))</i>	–	–	–	–	–	(20,060)	(20,060)
Special dividend declared <i>(note 13(a))</i>	–	–	–	–	–	(40,120)	(40,120)
At 31 December 2024	10,030	83,424	(4,592)	(233)	–	188,361	276,990

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities		
Profit before income tax	65,245	55,928
Adjustments for:		
Depreciation of property, plant and equipment	1,347	1,403
Depreciation of right-of-use assets	2,772	2,921
Fair value gain on financial assets at fair value through profit or loss	(338)	(82)
Impairment loss on deposit paid for acquisition of a mining right	–	29,363
Impairment loss (reversed)/ recognised on trade and other receivables and contract assets	(215)	3,544
Dividend income from financial assets at fair value through profit or loss	(33)	(25)
Bank interest income	(5,982)	(10,576)
Interest expenses	451	737
Operating profit before working capital changes	63,247	83,213
Decrease/(increase) in inventories	408	(31)
Decrease/(increase) in contract assets	18,254	(6,555)
Decrease in trade and other receivables, deposits and prepayments	44,077	53,798
(Decrease)/increase in contract liabilities	(37,409)	38,613
(Decrease)/increase in trade and other payables	(24,194)	14,216
Cash generated from operations	64,383	183,254
Dividend income received from financial assets at fair value through profit or loss	33	25
Income tax paid	(13,769)	(22,079)
Net cash generated from operating activities	50,647	161,200
Cash flows from investing activities		
Interest received	5,982	9,861
Release of time deposits with original maturity over three months	112,626	81,077
Acquisition of property, plant and equipment	(1,049)	(1,550)
Net cash generated from investing activities	117,559	89,388

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Cash flows from financing activities			
Proceeds from issuance of shares upon exercise of share options		–	483
Payment of principal element of lease liabilities	32	(3,168)	(3,290)
Payment of interest element of lease liabilities	32	(69)	(116)
Payment of interest on surety bonds		(382)	(621)
Dividends paid	32	–	(80,200)
Net cash used in financing activities		(3,619)	(83,744)
Net increase in cash and cash equivalents		164,587	166,844
Effect of exchange rate changes on cash and cash equivalents		(3)	(68)
Cash and cash equivalents at the beginning of year		222,715	55,939
Cash and cash equivalents at the end of year		387,299	222,715
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of financial position		387,299	222,715

NOTES TO THE CONSOLIDATED 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. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 units 1101, 1102, 1103, 1107 and 1108, 11/F, Magnet Place Tower 1, 77-81 Container Port Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred hereafter as the “**Group**”) is principally engaged in 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 (the “**BVI**”). In the opinion of the directors, Luxury Booming is also the ultimate parent of the Company.

The financial statements for the year ended 31 December 2025 were approved and authorised for issue by the directors on 26 March 2026.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with HKFRS Accounting Standards which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates and assumptions are based on management’s best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates and assumptions. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 5.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

Amounts are rounded to the nearest thousands, unless otherwise stated.

(c) Functional and presentation currencies

The financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of amendments to HKFRS Accounting Standards – effective on 1 January 2025

In the current year, the Group has applied for the first time the following amendments issued by the HKICPA, which are effective for the Group's financial statements for the annual period beginning on 1 January 2025:

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability
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The adoption of the above amendments to HKFRS Accounting Standards that are effective for the current reporting period did not have any significant impact on the Group's consolidated financial statements.

(b) New or amendments to HKFRS Accounting Standards that have been issued but are not yet effective

The following new or amendments to HKFRS Accounting Standards which are potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity ¹
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards – Volume 11 ¹
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2026.

² Effective for annual periods beginning on or after 1 January 2027.

³ No mandatory effective date yet determined but available for adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) New or amendments to HKFRS Accounting Standards that have been issued but are not yet effective (Continued)

The Group is currently assessing the impact of these new and revised HKFRS Accounting Standards. Except for the below, these new and revised HKFRS Accounting Standards are preliminary assessed and are not expected to have any significant impact on the Group's consolidated financial statements.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements* ("HKAS 1"). While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("HKAS 8"), which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

The adoption of HKFRS 19 is optional. HKFRS 19 specifies the disclosure requirements that an entity is permitted to apply to substitute the disclosure requirements in other HKFRS Accounting Standards. The Company's shares are listed and traded on the Stock Exchange. Therefore, it has public accountability according to HKFRS 19 and does not qualify for electing to apply the standard to prepare its financial statements.

4. ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

- power over the investee,
- exposure, or rights, to variable returns from the investee, and
- the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Furniture and fixtures	5 years
Office equipment	5 years
Plant and machinery	5 years
Motor vehicles	3 years
Leasehold improvement	Over the shorter of 2 years or the remaining lease terms

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (Continued)

(d) Intangible assets

Intangible asset represents acquired mining right which is to be stated at cost less any impairment losses and are amortised over their estimated useful lives. The consideration paid pursuant to the exclusive right agreement is therefore classified as deposit paid for acquisition of a mining right and is measured at cost less accumulated impairment, if any. Further details about the acquisition of the mining right is set out in note 16.

(e) Leases – the Group as lessee

All leases are capitalised in the statement of financial position as right-of-use assets and lease liabilities except for short-term leases and/or low-value leases. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liabilities

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

4. ACCOUNTING POLICIES (Continued)

(f) Financial instruments

i. Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for debt instruments classified as financial asset measured at amortised cost, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

– Amortised cost

Debt instruments, including trade and other receivables and deposits, time deposits with original maturity over three months and cash and bank balances that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Trade receivable is recognised when the Group has an unconditional right to receive consideration from the customer. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 4(j)).

– Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are subsequently measured at fair value. Net gain and losses, including any interest or dividend income are recognised in profit or loss. The Group's financial assets at fair value through profit or loss are acquired for the purpose of selling or repurchasing in the near term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

ii. Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses (“**ECLs**”) on trade receivables, retention receivables (retention monies to be released by customers) and other financial assets measured at amortised cost. ECLs are measured on either of the following bases: (i) 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the end of reporting period; and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measures loss allowances for trade and retention receivables using simplified approach and calculates ECLs based on lifetime ECLs. The ECLs of trade and retention receivables is determined collectively by assessing probability of default of the trade and retention receivables, adjusted for forward-looking factors specific to the debtors and the economic environment. ECLs on these assets are assessed individually when they are determined to be credit-impaired.

For other debt financial assets, the Group applies the general approach to measure ECLs, that is to recognise ECLs based on 12-months ECLs. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if the contractual payments are more than 30 days past due.

The Group recognises an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtors do not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4. ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

iii. Financial liabilities

The Group classifies its financial liabilities at amortised cost. Financial liabilities measured at amortised cost including trade and other payables are initially measured at fair value, net of directly attributable costs incurred. They are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

iv. Equity instruments

Ordinary shares issued by the Company are classified as equity and are recorded at the proceeds received, net of direct issue costs.

v. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with the accounting policy set out in note 4(f)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15").

vi. Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9 *Financial Instruments*.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (Continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

(i) Recognition of revenue and other income

i. Contracts of design and build project

The Group has determined that there are significant integration of different elements underlying a design and build contract and thus such contract is considered to contain only one performance obligation. In addition, the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Accordingly, revenue from these contracts are recognised over time.

When the outcome of a performance obligation in the design and build contract can be reasonably measured, contract revenue and the associated contract costs are recognised over time based on the progress of the respective contract at the end of the reporting period. The progress towards complete satisfaction of the performance obligation of a design and build contract is determined using input method which is measured by reference to the contract costs incurred to date as a proportion to the total estimated contract costs. Contract costs and contract progress are highly correlated for design and build contracts.

Contract modifications which mainly arise from variation orders are recognised when they are approved by customers. Generally modification to a design and build contract is not accounted for as a separate contract. Contract modification is accounted for as if it were a part of the existing contract and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the contract sum and on the Group's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis). For approved modifications where a change in price has not been agreed, they are accounted for following the requirements in relation to variable consideration, that is to include in the transaction price to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

For warranty embedded in the design and build contract, the Group accounts for such warranty in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The warranty do not provide the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications and cannot be purchased separately.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with the accounting policy for onerous contracts as set out in note 4(p).

4. ACCOUNTING POLICIES (Continued)

(i) Recognition of revenue and other income (Continued)

ii. Repair and maintenance services

The contracts of repair and maintenance services are considered to contain only one performance obligation. Generally, the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs and for some contracts, the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Accordingly, revenue from repair and maintenance services is recognised over time based on the progress towards complete satisfaction of the performance obligation of the respective contract at the end of the reporting period.

The progress towards complete satisfaction of the performance obligation of repair and maintenance services is determined as follows: (i) for large-scale repair and maintenance works with contract period of more than one year, it is determined using input method which is measured by reference to the contract costs incurred to date as a proportion of the total estimated contract costs; and (ii) for other small-scale repair and maintenance works, it is determined using output method which is measured by reference to certified work performed.

iii. Other sources of income

Interest income is recognised as it accrues using the effective interest method. Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. gross carrying amount less loss allowance) of the financial assets. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(j) Contract balances

Contract assets

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. Contract assets are recognised when the Group completes the design and build works and large-scale repair and maintenance works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Retention monies retained by customers to secure for the due performance of the contracts are contract assets in nature. When the conditions attached to retention monies are fulfilled, the retention monies are released by customers and such retention monies have become trade receivables in nature.

Contract assets are assessed for ECLs on the same basis as trade receivables in accordance with the policy set out in note 4(f)(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (Continued)

(j) Contract balances (Continued)

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If the consideration (including advances received from customers) exceeds the revenue recognised to date then the Group recognises a contract liability for the difference.

Contract costs

The Group recognises an asset for the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4. ACCOUNTING POLICIES (Continued)

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax. Income taxes are recognised in profit or loss.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences. Except for goodwill and initial recognition of assets and liabilities that are not part of business combination that affect neither accounting nor taxable profits and does not give rise to equal taxable and deductible temporary differences, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES (Continued)

(l) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss.

For the purpose of preparing the consolidated financial statements, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

(m) Employee benefits

i. Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulated compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

ii. Pension obligation

The Group's contributions to the defined contribution retirement plans are expensed as incurred.

4. ACCOUNTING POLICIES (Continued)

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share-based payments reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

(o) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of property, plant and equipment, right-of-use assets and deposit paid for acquisition of a mining right to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated. Specifically, provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below) that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Accounting for the non-controlling interest of a subsidiary, G&M Contracting Limited

In June 2023, G&M Engineering Company Limited ("**GME**"), a wholly-owned subsidiary, agreed with a third party ("**Party A**") to invest (the "**Investment**") jointly in the coal mine (the "**Agreement**") as mentioned in note 16 through G&M Contracting Limited ("**GMC**"). GMC was previously wholly-owned by GME. Pursuant to the Agreement, (i) 4,900 ordinary shares of GMC, representing 49% of the entire issued share capital of GMC (the "**Shares**"), would be transferred by GME to Party A; (ii) GME and Party A would contribute to the initial working capital of GMC in proportion to their shareholding of 51% and 49% respectively; (iii) the sum to be contributed would be subsequently discussed and agreed between GME and Party A; and (iv) GME and Party A would execute shareholders' agreement to reflect and evidence the Agreement.

GME transferred the Shares to Party A in June 2023 and GME had funded an aggregate sum of HK\$31.7 million towards the acquisition of the coal mine by GMC and related overhead costs up to 31 December 2023. Moreover, a draft shareholders' agreement was sent to Party A in November 2023, which served to formalise the salient terms of the Agreement and further details on the Investment by GME and Party A. However, despite numerous discussion and reminder, Party A had failed to inject any sum to GMC and had failed to execute the draft shareholders' agreement. In the opinion of the directors, Party A has no intention to proceed further with the Investment and had breached the Agreement made in June 2023. The Group has demanded Party A to transfer the Shares back to the Group. The Group had sought legal opinion on this matter and based on the facts represented and documents provided by the directors, it is considered that the Group has a good chance to seek for restitution of the Shares through legal proceeding, and the Group would take all necessary actions to pursue further. In October 2024, GMC issued 23,000,000 ordinary shares to GME, reducing Party A's shareholding to 0.02%. The directors, having considered all relevant facts and circumstances as well as the legal opinion, are of the opinion that Party A is not entitled to the 0.02% equity interests in GMC and it is appropriate for the Group not to recognise non-controlling interest of GMC in respect of the Shares held by Party A in the Group's consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Recognition of contract revenue, contract assets and contract liabilities of design and build contracts

Contract revenue in respect of design and build contracts is recognised over time by measuring the progress towards complete satisfaction of the performance obligation on the basis of contract costs incurred to date as a proportion of the total estimated contract costs. Contract assets and contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs.

The recognition of contract revenue, contract assets and contract liabilities requires significant management judgment and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and processing charges and direct labour, are supported by contract budget which was prepared by the directors on the basis of estimated subcontracting fees, cost of materials, processing charges and direct labour costs based on quotations provided by subcontractors and suppliers/vendors and is subject to directors' experience. In order to ensure the total estimated contract costs being accurate and up-to-date such that contract revenue, contract assets and contract liabilities can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. For the purpose of updating the contract budget, the management may request for updated quotations from counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(i) Recognition of contract revenue, contract assets and contract liabilities of design and build contracts (Continued)

Recognition of revenue for variation orders and claims also requires estimation and judgment by the management, particularly in assessing whether it is highly probable that a significant reversal in the amount of revenue recognised will not occur. In this assessment, management takes into account of factors such as current negotiation with customers, past experience of similar contracts and current economic conditions.

Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the financial statements.

Further details of the Group's contract revenue, contract assets and contract liabilities are set out in notes 7 and 18 respectively.

(ii) Warranty provision

The Group provides assurance-type warranty to some of the customers for a period up to 15 years for contracts completed by the Group. The Group undertakes to rectify the defects within the warranty period. Warranty provision is recognised for the expected costs to rectify the defects based on past experience of warranty claims made by the customers. Management reviews the sufficiency of warranty provision and make adjustments, if appropriate, at the end of each reporting period. As at 31 December 2025, warranty provision of HK\$1,603,000 (2024: HK\$5,000) was made for certain design and build projects (note 18(c)).

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iii) Impairment of trade receivables, retention receivables and contract assets

The measurement of loss allowance for ECLs of trade receivables, retention receivables and contract assets requires judgment and estimation, in particular, the estimation of the amount and timing of future cash flows when determining loss allowance and the assessment of whether the balance is credit-impaired. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At the end of each reporting period, the Group measures ECLs of trade receivables, retention receivables and contract assets. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes both quantitative and qualitative information and analysis, which include categorisation of customers into clusters of similar risk characteristics, deriving probabilities of default, loss given default and thus ECL rates for each cluster and adjusting the ECL rates for forward-looking information. These require significant estimation and judgement by the management. The Group's historical credit experience and forecast of economic conditions may not be representative of a customer's actual default in future. Further details about the ECLs assessment are set out in note 36(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION

(a) Operating segment information

The Group has only one reportable operating segment, which is 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 i.e. the Construction Business. The information reported to the executive directors of the Company, who are the chief operating decision makers of the Group for the purposes of resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRS Accounting Standards. Such information does not contain profit or loss information of particular product or service line or geographical area. The executive directors allocate resources and assess performance of the business of the Group on an aggregated basis.

On 23 June 2023, the Group entered into agreement to acquire from a Mongolian Company an exclusive mining right for a coal mine in Mongolia, but no business operation has been established there from. Accordingly, all of the Group's revenue and operating results for the year are attributable to the Construction Business.

The Group operates in Hong Kong and the PRC. All of the Group's revenue for the current year and prior year was derived in Hong Kong (place of domicile) whereas approximately 93% (2024: 90%) of the Group's non-current assets as at 31 December 2025 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, are set out below:

	2025 HK\$'000	2024 HK\$'000
Customer I	268,398	269,962
Customer II	54,604	48,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. 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 works in Hong Kong. Revenue derived from the Group's principal activities comprises of the followings:

	2025 HK\$'000	2024 HK\$'000
Design and build projects		
– Podium facade and related works	321,791	404,506
– Curtain wall works	208	157
	321,999	404,663
Repair and maintenance services	58,423	24,649
	380,422	429,312

Revenue derived from the Group's design and build projects and repair and maintenance services is within the scope of HKFRS 15 and is recognised over time.

Revenue expected to be recognised in the future arising from the provision of design and build services and repair and maintenance services, which represents the aggregate amount of the consideration entitled by the Group allocated to the remaining performance obligations of the Group's contracts existed at the end of the reporting period, is summarised as follows:

	2025 HK\$'000	2024 HK\$'000
Design and build projects		
– Podium facade and related works	233,420	335,602
– Curtain wall works	2,565	307
Repair and maintenance services	6,507	10,010
	242,492	345,919

The Group will recognise the expected revenue arising from its existing design and build contracts and repair and maintenance contracts in future as the project work is progressed, which is expected to occur over the next 4 to 24 months (2024: 4 to 24 months).

For certain contracts of repair and maintenance services, the Company will recognise revenue for these contracts in future as the contract work is progressed, which have an original expected duration of one year or less. Accordingly, the Company has applied the practical expedients in HKFRS 15 not to disclose the remaining performance obligations for these contracts of repair and maintenance services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER INCOME, GAINS AND LOSSES

	2025 HK\$'000	2024 HK\$'000
Bank interest income	5,982	10,576
Gain on disposal of property, plant and equipment	198	–
Dividend income from financial assets at fair value through profit or loss	33	25
Government grants (<i>Note</i>)	751	1,266
Exchange gains/(losses), net	426	(236)
Others	2	21
	7,392	11,652

Note:

Government grants for year ended 31 December 2025 mainly included subsidies of HK\$572,000 (2024:HK\$1,266,000) from Construction Innovation and Technology Fund for adoption of innovative construction methods and new technologies. As at 31 December 2025, the Group complied with the requirements set out under the subsidies. The government grants were received as compensation for expenses already incurred and were recognised as other income. There were no unfulfilled conditions attached to the government grants.

9. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest on surety bonds	382	621
Interest on lease liabilities (<i>note 29</i>)	69	116
	451	737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2025 HK\$'000	2024 HK\$'000
Auditor's remuneration	670	720
Cost of inventories recognised as expense [#]	110,052	137,036
Depreciation		
– Property, plant and equipment* (note 15)	1,347	1,403
– Right-of-use assets: properties and machinery leased for own use* (note 29)	2,772	2,921
	4,119	4,324
Employee benefit expenses (including directors' emoluments) (note 12(a))		
– Salaries, allowances and other benefits	62,367	70,407
– Contributions to defined contribution retirement plans [⊗]	1,780	1,281
	64,147	71,688
Impairment loss (reversed)/ recognised on:		
– Contract assets	–	3,057
– Trade receivables	(192)	441
– Retention receivables	(23)	46
	(215)	3,544
Short-term leases expenses	7,924	5,110

Included in cost of revenue

* Included in administrative and other operating expenses

⊗ For the year ended 31 December 2025, no forfeited contribution in respect of the defined contribution retirement plans were utilised by the Group to reduce the contribution payable to the plans (2024: nil). As at 31 December 2025, no forfeited contribution under these plans is available to reduce future contribution (31 December 2024: nil).

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. The MPF Scheme is administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. The Group has no further payment obligations once the contributions have been paid. Contributions to the MPF Scheme are recognised as an expense in profit or loss when the services are rendered by the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROFIT BEFORE INCOME TAX (Continued)

The employees of a subsidiary of the Company which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute a specified percentage of payroll costs to the central pension scheme to fund the benefits. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's obligations under these plans are limited to the fixed percentage contribution payable.

11. INCOME TAX EXPENSE

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

	2025 HK\$'000	2024 HK\$'000
Hong Kong Profits Tax		
– Current tax for the year	10,158	12,819
– Over-provision in respect of prior years	(654)	(87)
	9,504	12,732
PRC Enterprise Income Tax		
– Current tax for the year	170	6
	9,674	12,738

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%.

For the years ended 31 December 2025 and 2024, the PRC subsidiary of the Company was eligible to be classified as small enterprise by the local bureau and the corresponding assessable profits are taxed at progressive rate. The first Renminbi ("RMB") 1,000,000 assessable profit is taxed at 5% and assessable profit above RMB1,000,000 but less than RMB3,000,000 is taxed at 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before income tax in the consolidated statement of comprehensive income as follows:

	2025 HK\$'000	2024 HK\$'000
Profit before income tax	65,245	55,928
Tax calculated at Hong Kong Profits Tax rate of 16.5%	10,765	9,228
Tax effect of profit at concessionary rate	(165)	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	15	(144)
Tax effect of income not taxable for tax purposes	(947)	(1,994)
Tax effect of expenses not deductible for tax purposes	277	6,108
Tax effect of temporary differences not recognised	383	(208)
Over-provision in respect of prior years	(654)	(87)
	9,674	12,738

No deferred tax has been provided in these financial statements as there were no material temporary differences as at 31 December 2025 and 2024.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated by the PRC subsidiary from 1 January 2008.

At 31 December 2025, no deferred tax liabilities (31 December 2024: nil) was recognised for withholding taxes that would be payable on the unremitted earnings of the PRC subsidiary of the Company, which amounted to RMB1,004,000, equivalent to approximately HK\$1,089,000 (2024: RMB2,576,000, equivalent to approximately HK\$2,795,000) as in the opinion of the directors, it is not probable that the PRC subsidiary will distribute such earnings in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000 <i>(Note)</i>	Pension scheme contribution HK\$'000	Total HK\$'000
Year ended 31 December 2025					
<i>Executive directors</i>					
Mr. Lee Chi Hung <i>(Chairman and Chief Executive Director)</i>	-	3,543	2,024	18	5,585
Ms. Lam Suk Yee	-	517	119	18	654
<i>Non-executive director</i>					
Mr. Leung Ping Kwan	-	780	-	-	780
<i>Independent non-executive directors</i>					
Mr. Tai Kwok Leung, Alexander	240	-	-	-	240
Mr. Kwan Cheuk Kui	240	-	-	-	240
Dr. Liu Yuk Shing	240	-	-	-	240
	720	4,840	2,143	36	7,739

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Directors' emoluments are disclosed as follows:

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonus HK\$'000 (Note)	Pension scheme contribution HK\$'000	Total HK\$'000
Year ended 31 December 2024					
Executive directors					
Mr. Lee Chi Hung (Chairman and Chief Executive Director)	–	3,546	2,180	18	5,744
Ms. Lam Suk Yee	–	517	119	18	654
Non-executive director					
Mr. Leung Ping Kwan	–	780	–	–	780
Independent non-executive directors					
Professor Wong Roderick Sue Cheun	120	–	–	–	120
Mr. Tai Kwok Leung, Alexander	240	–	–	–	240
Mr. Kwan Cheuk Kui	240	–	–	–	240
Dr. Liu Yuk Shing	120	–	–	–	120
	720	4,843	2,299	36	7,898

Note:

The discretionary bonus of the directors is determined by the Remuneration Committee having regard to their performance.

During the years ended 31 December 2025 and 2024, no directors waived or agreed to waive any emoluments and there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2025 include one director (2024: one director) whose emoluments are included in the analysis presented note (a) above. The emoluments of the remaining four (2024: four) highest paid non-director individuals during the years ended 31 December 2025 and 2024 are as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries, allowances and other benefits	4,642	4,638
Discretionary bonus	1,397	1,461
Contributions to retirement benefits plans	72	72
	6,111	6,171

Their emoluments were within the following bands:

	2025 Number of individuals	2024 Number of individuals
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	3	4

No emolument was paid by the Group to any of the non-director highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office in the current year or in prior year.

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2025 Number of individuals	2024 Number of individuals
HK\$1,000,001 to HK\$1,500,000	4	4
HK\$1,500,001 to HK\$2,000,000	1	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year

	2025 HK\$'000	2024 HK\$'000
Interim dividend declared and paid of nil (2024: HK2.0 cents) per share	–	20,060
Special dividend declared and paid of HK4.0 cents per share	–	40,120
Special dividend declared of HK3.5 cents per share	35,105	–
	35,105	60,180

(b) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2025 HK\$'000	2024 HK\$'000
Final dividend in respect of previous financial year, approved and paid during the year of nil (2024: HK2.0 cents) per share	–	20,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. EARNINGS PER SHARE

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

	2025 HK\$'000	2024 HK\$'000
Earnings		
Profit for the year attributable to owners of the Company	55,571	43,190
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,003,000	1,001,227
Effect of dilutive potential ordinary shares		
– Share options	–	226
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,003,000	1,001,453

For the purpose of calculating diluted earnings per share for the year ended 31 December 2025 and 2024, the weighted average number of ordinary shares had been adjusted for the dilutive effect arising from the share options issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
Cost						
1 January 2024	795	8,455	1,485	2,003	7,762	20,500
Additions	-	788	-	762	-	1,550
Exchange realignment	-	(85)	-	-	-	(85)
As at 31 December 2024 and 1 January 2025	795	9,158	1,485	2,765	7,762	21,965
Additions	-	92	646	-	311	1,049
Disposal	-	-	(667)	-	-	(667)
Written off	-	(2,951)	-	-	(1,411)	(4,362)
Exchange realignment	-	110	-	-	-	110
As at 31 December 2025	795	6,409	1,464	2,765	6,662	18,095
Accumulated depreciation						
As at 1 January 2024	580	6,303	1,485	1,276	7,633	17,277
Depreciation	139	903	-	335	26	1,403
Exchange realignment	-	(62)	-	-	-	(62)
As at 31 December 2024 and 1 January 2025	719	7,144	1,485	1,611	7,659	18,618
Depreciation	76	942	97	134	98	1,347
Disposal	-	-	(667)	-	-	(667)
Written off	-	(2,951)	-	-	(1,411)	(4,362)
Exchange realignment	-	90	-	-	-	90
As at 31 December 2025	795	5,225	915	1,745	6,346	15,026
Net book value						
As at 31 December 2025	-	1,184	549	1,020	316	3,069
As at 31 December 2024	76	2,014	-	1,154	103	3,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. DEPOSIT PAID FOR ACQUISITION OF A MINING RIGHT

On 23 June 2023, GMC entered into an agreement (the “**Exclusive Right Agreement**”) with a Mongolian company whereby GMC has the exclusive right to exploit a coal mine, namely “Bayantaliin uurhai” located in Mongolia and owned by the Mongolian company (the “**Mine Owner**”), and to purchase the coal mined therefrom. The consideration for fulfilment of the Exclusive Right Agreement is RMB27,000,000 (equivalent to HK\$29,363,000) which was fully paid as at 31 December 2023 and was to be accounted for as an intangible asset upon completion of the transaction. Pursuant to the supplemental agreement signed subsequently on 12 July 2023, the completion (the “**Completion**”) of the transactions contemplated under the Exclusive Right Agreement (the “**Acquisition**”) is conditional upon the fulfilment (or wavier) of certain conditions precedent, some of which were not yet fulfilled as at 31 December 2023. The Exclusive Right Agreement together with the supplementary agreement form the contract (“**Contract**”) of the Acquisition. In the opinion of the directors, the Completion had not yet taken place as at 31 December 2023 due to the mining licence for the coal mine had not been registered with the relevant government authority in Mongolia. As at 31 December 2023, the consideration paid was classified as deposit paid for acquisition of a mining right and is measured at cost less impairment.

The directors had monitored the registration process and maintained communication with the representative of the Mine Owner and noted that the mining licence for the coal mine has not yet been registered with the Mongolian Government and the equity interest in the Mine Owner has been transferred to a third party with whom the Group was trying to establish a dialogue so as to pursue its interests. The directors considered that the Mine Owner has defaulted the Contract.

The directors, having considered all relevant facts and circumstances as well as the legal advice, were of the view that in the absence of the mining licence, the Group was unable to substantiate the expected future economic benefits over the remaining useful life of the asset. Consequently, an impairment loss of HK\$29,363,000, representing the full provision for the consideration paid, was recognised in last year’s consolidated financial statements. Based on the current assessment of the directors, the full provision is still required at the reporting date.

17. INVENTORIES

	2025 HK\$’000	2024 HK\$’000
Materials	612	1,020

18. CONTRACT ASSETS/CONTRACT LIABILITIES

(a) Terms and arrangements of construction services

The Group's design and build contracts and certain large-scale repair and maintenance services contracts include payment schedules which require stage payments over the contract period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. When the revenue recognised exceeds the milestone payments, the Group recognises contract assets for the difference.

In addition, the Group generally provides retention period of 1 to 2 years and normally retention monies represent 5% to 10% of the contract sum. Retention receivables are part of the consideration arising from design and build contracts and large-scale repair and maintenance services contracts that are retained by the customers and are payable to the Group upon completion of the maintenance period of the relevant contract or in accordance with the terms specified in the relevant contract. Retention monies are intended to protect the customers from the Group failing to complete its obligations under the contracts rather than to provide financing to the customers. Retention receivables are also recognised as contract assets.

The terms and conditions in relation to the release of retention monies vary from contract to contract, which may be subject to practical completion of contracts, expiry of defect liability period and rectification of defects to the satisfaction of customers. Upon release of retention monies by the customers, retention receivables recognised as contract assets will be reclassified to "Retention receivables" under "Trade and other receivables, deposits and prepayments" (note 19). For other small-scale repair and maintenance services contracts, the Group normally issues bill to the customers for payment along when the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(b) Contract assets

	2025 HK\$'000	2024 HK\$'000
Contract assets are arising from:		
– Design and build contracts	60,639	83,471
– Repair and maintenance services	5,841	1,263
Contract assets (gross)	66,480	84,734
Less: Loss allowance	(3,817)	(3,817)
	62,663	80,917

	2025 HK\$'000	2024 HK\$'000
Unbilled revenue	14,540	12,960
Retention receivables	51,940	71,774
Contract assets (gross)	66,480	84,734

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

	2025 HK\$'000	2024 HK\$'000
Within one year	53,013	50,309
More than one year	13,467	34,425
	66,480	84,734

The movements in the loss allowance for impairment on contract assets are as follows:

	2025 HK\$'000	2024 HK\$'000
At the beginning of the year	3,817	760
Impairment loss charged to profit or loss	–	3,057
At the end of the year	3,817	3,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(b) Contract assets (Continued)

The Group recognises impairment allowance on contract assets based on the accounting policy as stated in note 4(f)(ii). Further details of the Group's credit policy and credit risk arising from contract assets are set out in note 36(d).

(c) Contract liabilities

	2025 HK\$'000	2024 HK\$'000
Contract liabilities arising from:		
– Design and build projects*	96,443	133,204
– Repair and maintenance services	3,302	3,950
	99,745	137,154

* Included warranty provision made for design and build projects amounting to HK\$1,603,000 as at 31 December 2025 (31 December 2024: HK\$5,000).

The movement in contract liabilities excluding warranty provision are as follows:

	2025 HK\$'000	2024 HK\$'000
At the beginning of the year	137,149	98,536
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(122,335)	(82,247)
Increase in contract liabilities as a result of billing in advance during the year	83,328	120,860
At the end of the year	98,142	137,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2025 HK\$'000	2024 HK\$'000
Non-current		
Refundable rental deposits	509	–
Current		
Trade receivables (<i>note (a)</i>)	14,674	51,697
Less: Loss allowance (<i>note (b)</i>)	(328)	(520)
Trade receivables, net (<i>note (a)</i>)	14,346	51,177
Retention receivables	1,151	1,700
Less: Loss allowance (<i>note (b)</i>)	(45)	(68)
Retention receivables, net	1,106	1,632
Deposits and prepayments	5,007	12,024
	20,459	64,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

(a) Trade receivables

The credit period granted to customers ranged from 20 to 60 days.

The ageing analysis of the trade receivables (net of loss allowance), based on invoice date, as at the end of the reporting period is as follows:

	2025 HK\$'000	2024 HK\$'000
0-30 days	5,203	42,543
31-60 days	3,131	1,244
61-90 days	306	1,568
Over 90 days but less than 1 year	3,666	1,240
Over 1 year	2,040	4,582
	14,346	51,177

(b) Loss allowance for impairment on trade and retention receivables

The movements in the loss allowance for impairment on trade and retention receivables are as follows:

	2025 HK\$'000	2024 HK\$'000
At the beginning of the year	588	101
Impairment loss (reversed)/recognised	(215)	487
At the end of the year	373	588

The Group recognises impairment allowance on trade and retention receivables based on the accounting policies set out in note 4(f)(ii). Further details of the Group's credit policy and credit risk arising from trade and retention receivables are set out in note 36(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HK\$'000	2024 HK\$'000
Equity securities, listed in Hong Kong	1,223	886

21. TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS

Time deposits with original maturity over three months of approximately HK\$112,626,000 as at 31 December 2024 represented fixed deposits with maturity of more than three months from the date of acquisition which carried at fixed interest rate of 4.0% per annum.

22. CASH AND BANK BALANCES

Cash at banks earns interest at floating rate based on daily bank deposit rates. Short-term time deposits are made for periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

As at 31 December 2024, the Group had time deposits of HK\$136,588,000 placed with banks with original maturity of three months and earn interest income at 4.00% to 4.20% per annum.

23. TRADE AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables (<i>note (a)</i>)	18,355	38,467
Retention payables (<i>note (b)</i>)	9,402	10,686
Accrued staff costs	12,480	14,984
Other payables and accruals	5,301	5,578
	45,538	69,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES (Continued)

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:

	2025 HK\$'000	2024 HK\$'000
0-30 days	7,470	27,252
31-60 days	4,840	6,698
61-90 days	2,031	2,536
Over 90 days	4,014	1,981
	18,355	38,467

(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:

	2025 HK\$'000	2024 HK\$'000
On demand or within one year	8,202	8,893
More than one year	1,200	1,793
	9,402	10,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. SHARE CAPITAL

	2025 Number of shares	2025 Amount HK\$'000	2024 Number of shares	2024 Amount HK\$'000
Ordinary share of HK\$0.01 each				
Authorised:				
At the beginning and end of the year	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At the beginning of the year	1,003,000,000	10,030	1,000,000,000	10,000
Shares issued upon exercise of share options <i>(note)</i>	–	–	3,000,000	30
At the end of the year	1,003,000,000	10,030	1,003,000,000	10,030

Note:

During the year ended 31 December 2024, a total of 3,000,000 ordinary shares of the Company were issued as a result of the exercise of 3,000,000 share options granted by the Company at an aggregate consideration of HK\$483,000. As a result of this, the share capital and share premium of the Company has increased by HK\$30,000 and HK\$453,000 respectively. An amount of HK\$123,000 was transferred from the share-based payments reserve to share premium upon the exercise of the share options.

25. SHARE OPTION SCHEME

Pursuant to resolutions passed by the shareholder of the Company on 12 May 2017, the shareholder of the Company approved the adoption of a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme enables the Company to grant options to eligible persons (including any full-time or part-time employee of the Group, including any directors, advisors and consultants of the Group) as incentives or rewards for their contributions to the Group.

The Share Option Scheme is valid and effective for a period of 10 years commencing from the listing date (13 June 2017), after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

25. SHARE OPTION SCHEME (Continued)

The total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and other share option schemes must not, in aggregate, exceed 10% of the shares in issue as at the listing date provided that options lapsed in accordance with the terms of the Shares Option Scheme or other share option schemes will not be counted for the purpose of calculating the scheme mandate limit. On the basis of 1,000,000,000 shares in issue on the listing date, the scheme mandate limit is equivalent to 100,000,000 shares, representing 10% of the shares in issue as at the listing date. Subject to the approval of shareholders in general meeting and the issue of a circular, the Company may renew the scheme mandate limit to the extent that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes under the scheme mandate limit as renewed must not exceed 10% of the shares in issue as at the date of such shareholders' approval provided that options previously granted under the Share Option Scheme and other share option schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the scheme mandate limit as renewed. Subject to the approval of shareholders in general meeting and issue of a circular, the Company may also grant options beyond the scheme mandate limit provided that options in excess of the scheme mandate limit are granted only to eligible persons specifically identified by the Company before such shareholders' approval is sought. Notwithstanding the foregoing, the Company may not grant any options if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes exceeds 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Share Option Scheme and other share option schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time, and provided that if approved by shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, the Company may make a further grant of options to such participant notwithstanding that the further grant would result in the shares issued and to be issued upon exercise of all options granted and to be granted under the Share Option Scheme and other share option schemes to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of the further grant representing in aggregate over 1% of the shares in issue from time to time. In relation to the further grant, the Company must send a circular to the shareholders, which discloses the identity of the relevant participant, the number and the terms of the options to be granted (and options previously granted to such participant under the Share Option Scheme and other share option schemes) and the information required under the Listing Rules. In relation to the further grant, the Company must send a circular to the shareholders.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the board of the directors (the "Board") to each participant provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option.

The Board may, at its discretion, invite any eligible persons to take up options at a price determined by the board and notified to each participant and shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. SHARE OPTION SCHEME (Continued)

Upon acceptance of the option, the eligible person shall pay HK\$1 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of not less than 5 trading days from the date on which the option is granted.

On 16 April 2021, the Company granted an aggregate of 3,000,000 share options under the Share Options Scheme to a senior management of the Group who is employed under continuous contract with the Group. The holder of each share option is eligible to subscribe for one ordinary share of the Company with nominal value of HK\$0.01 each upon exercise. The share options vest immediately upon grant and are exercisable from 1 May 2021 to 30 April 2026 (both days inclusive). The exercise price of the share options is HK\$0.161 each and the closing price of the shares of the Company on the day immediate before the date of grant of the share options was HK\$0.161.

The following share options were outstanding under the Share Option Scheme during the year:

	2025 Weighted average exercise price HK\$	2025 Number of share options	2024 Weighted average closing price HK\$	2024 Weighted average exercise price HK\$	2024 Number of share options
Outstanding at the beginning of the year	-	-	-	0.161	3,000,000
Exercised during the year	-	-	0.199	0.161	(3,000,000)
Outstanding at the end of the year		-			-

As at 31 December 2025 and 2024 and at the date of approval of these financial statements, the number of the share options outstanding under the Share Option Scheme was nil.

As at 31 December 2025 and 2024, the total number of shares available for issue by the Company under the Share Option Scheme was 97,000,000 shares, which represents 9.7% of the Company's issued shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	28	63,185	63,185
Current assets			
Amounts due from subsidiaries		153,870	120,244
Other receivables and prepayments		540	540
Cash and bank balances		113	449
		154,523	121,233
Current liabilities			
Accruals and other payables		924	1,146
Amount due to a subsidiary		11,396	11,396
Dividend payables		35,105	–
		47,425	12,542
Net current assets		107,098	108,691
Net assets		170,283	171,876
CAPITAL AND RESERVES			
Share capital	24	10,030	10,030
Reserves	27	160,253	161,846
Total equity		170,283	171,876

On behalf of the directors

Lee Chi Hung
Director

Lam Suk Yee
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. RESERVES

The Group

Details of the movements in the Group's reserves for the years ended 31 December 2025 and 2024 are set out in the consolidated statement of changes in equity. The nature and purposes of reserves within equity are as follows:

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Merger reserve

Merger reserves arose from combining the financial statements of the companies now comprising the Group under the reorganisation.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation in accordance with the accounting policy set out in note 4(l).

Share-based payments reserve

Share-based payments reserve comprises cumulative expenses recognised for the share options granted over the vesting period (note 4(n)).

Retained profits

Retained profits is the cumulative net profit and loss recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. RESERVES (Continued)

The Company

Details of the movements in the Company's reserves during the years ended 31 December 2025 and 2024 are as follows:

	Share premium HK\$'000	Share-based payments reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 January 2024	146,033	123	16,423	162,579
Shares issued upon exercise of share options (note 24)	576	(123)	–	453
Profit for the year	–	–	79,014	79,014
2023 final dividend approved (note 13(b))	–	–	(20,020)	(20,020)
2024 interim dividend declared (note 13(a))	–	–	(20,060)	(20,060)
Special dividend declared (note 13(a))	–	–	(40,120)	(40,120)
As at 31 December 2024	146,609	–	15,237	161,846
Profit for the year	–	–	33,512	33,512
Special dividend declared (note 13(a))	–	–	(35,105)	(35,105)
As at 31 December 2025	146,609	–	13,644	160,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ registration and kind of legal entity	Place of operation	Issued and paid-in capital/ registered capital	Equity interest held by the Company		Principal activities
				2025	2024	
<i>Directly held:</i>						
Join Forward Group Limited	BVI, limited liability company	Hong Kong	4 shares of United States Dollars ("US\$") 1 each	100%	100%	Investment holding
Edelman Global Limited	BVI, limited liability company	Hong Kong	4 shares of US\$1 each	100%	100%	Investment holding
<i>Indirectly held:</i>						
G & M Engineering Company Limited	Hong Kong, limited liability company	Hong Kong	1,000,000 shares of HK\$1,000,000	100%	100%	Provision of one-stop design and build solutions for podium facade and curtain wall and undertaking repair and maintenance services
G & M Curtain Wal Maintenance Services Limited	Hong Kong, limited liability company	Hong Kong	10,000 shares of HK\$10,000	100%	100%	Provision of repair and maintenance services for podium facade and curtain wall
G & M Contracting Limited (note 5 (a)(i))	Hong Kong, limited liability company	Hong Kong	10,000 shares of HK\$10,000	99.98%	99.98%	Investment in mining business
G & M Engineering (Macau) Limited	Macau, limited liability company	Macau	MOP25,000	96%*	96%*	Inactive
JW Mongolia Energy LLC	Mongolia, limited liability company	Mongolia	343,300 shares of Mongolian Tugrik ("MNT") 343,300,000	100%	100%	Inactive
Sato Railway Wagons Rental LLC	Mongolia, limited liability company	Mongolia	341,300 shares of MNT341,300,000	100%	100%	Inactive
深圳信越設計有限公司	The PRC, wholly-owned foreign enterprise with limited liability	The PRC	HK\$1,000,000	100%	100%	Design of aluminum curtain wall, glass curtain wall and aluminum claddings

* Mr. Lee Chi Hung, the director, is the registered owner of 4% shareholding in G & M Engineering (Macau) Limited who holds such equity interest on behalf of the Group.

None of the subsidiaries had any debt securities in issue at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. LEASES

The Group as lessee

The Group leases office premises, carparks, warehouse and office equipment. The periodic rental for these leases is fixed over the lease term. Leases of these properties were negotiated/re-negotiated for non-cancellable periods ranging from 2 to 5 years (2024: 2 to 5 year(s)). As at 31 December 2024, a lease arrangement included an option to renew the lease for an additional period of 3 years after the contract term. The renewal option was to provide flexibility to align its need and the Group was not reasonably certain to the extend of the lease term. Payments associated with optional period were therefore not included with lease liabilities. No renewal option existed for the lease arrangements as at 31 December 2025.

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying leases is as follows:

	Buildings and car parks HK\$'000	Office equipment HK\$'000	Total HK\$'000
As at 1 January 2024	4,597	387	4,984
Effects of lease modification	769	–	769
Depreciation	(2,717)	(204)	(2,921)
As at 31 December 2024 and 1 January 2025	2,649	183	2,832
Effects of lease modification	3,563	482	4,045
Depreciation	(2,603)	(169)	(2,772)
As at 31 December 2025	3,609	496	4,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. LEASES (Continued)

Lease liabilities

The analysis of the carrying amount of lease liabilities by class of underlying leases is as follows:

	Buildings and car parks HK\$'000	Office equipment HK\$'000	Total HK\$'000
As at 1 January 2024	5,411	370	5,781
Effects of lease modification	769	–	769
Interest expense (<i>note 9</i>)	110	6	116
Lease payments	(3,190)	(216)	(3,406)
As at 31 December 2024 and 1 January 2025	3,100	160	3,260
Effects of lease modification	3,545	482	4,027
Interest expense (<i>note 9</i>)	64	5	69
Lease payments	(3,057)	(180)	(3,237)
As at 31 December 2025	3,652	467	4,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. LEASES (Continued)

Lease liabilities (Continued)

Future lease payments are due as follows:

	Future lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 December 2025			
Not later than one year	1,641	170	1,471
Later than one and not later than two years	1,513	170	1,343
Later than two and not later than five years	1,348	43	1,305
	4,502	383	4,119
As at 31 December 2024			
Not later than one year	3,108	50	3,058
Later than one and not later than two years	205	3	202
	3,313	53	3,260

The present value of future lease payments are analysed as follows:

	2025 HK\$'000	2024 HK\$'000
Current liabilities	1,471	3,058
Non-current liabilities	2,648	202
	4,119	3,260

For the year ended 31 December 2025, the Group's total cash outflow for leases including short-term leases (note 10) amounted to HK\$11,161,000 (2024: HK\$8,516,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. GUARANTEES

The Group provided guarantees in respect of the surety bonds issued by the banks in favour of the customers of certain construction contracts. Details of these guarantees at the end of the reporting period are as follows:

	2025 HK\$'000	2024 HK\$'000
Aggregate value of:		
– surety bonds issued in favour of customers (<i>note</i>)	68,376	106,962

Notes:

The surety bonds are required for the entire period of the relevant construction contracts. As at 31 December 2025, the relevant construction contracts were expected to be completed in years 2026 to 2027 (2024: 2025 to 2026).

As assessed by the directors, it is highly not probable that the counterparties would claim the Group for losses in respect of the guarantee contracts as it is highly unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts.

As at 31 December 2025 and 2024, the surety bonds issued by the banks and granted under banking facilities were secured by the proceeds of a design and build project and the corporate guarantee provided by the Company.

31. LITIGATIONS

During the years ended 31 December 2025 and 2024, certain lawsuits and claims arising from the normal course of business were lodged against the Group. Claim amounts were not specified in some of the applications of these lawsuits and claims. Some of the claims remained outstanding at the end of last reporting period. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Dividend payable HK\$'000 <i>(note 13)</i>	Lease liabilities HK\$'000 <i>(note 29)</i>
As at 1 January 2024	–	5,781
Changes from cash flows:		
– Dividend paid	(80,200)	–
– Capital element of lease payments	–	(3,290)
– Interest element of lease payments	–	(116)
	(80,200)	(3,406)
Other changes:		
– Effect of lease modification	–	769
– Dividend declared and approved	80,200	–
– Interest expenses <i>(note 9)</i>	–	116
	–	3,260
As at 31 December 2024 and 1 January 2025	–	3,260
Changes from cash flows:		
– Dividend paid	–	–
– Capital element of lease payments	–	(3,168)
– Interest element of lease payments	–	(69)
	–	(3,237)
Other changes:		
– Effect of lease modification	–	4,027
– Dividend declared and approved	35,105	–
– Interest expenses <i>(note 9)</i>	–	69
As at 31 December 2025	35,105	4,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transaction with its related parties during the year.

The remuneration of directors and other members of key management during the year was as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries, allowances and other benefits	8,641	8,961
Contribution to defined contribution retirement plans	54	54
	8,695	9,015

34. CAPITAL RISK MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debt to equity. Total debts represents bank borrowings of the Group whereas equity represents total equity of the Group.

The directors of the Company actively and regularly reviews and manages the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sell assets to reduce debt.

The gearing ratio at the end of the reporting period was as follows:

	2025 HK\$'000	2024 HK\$'000
Bank borrowings	–	–
Total equity	297,470	276,990
Gearing ratio	N/A	N/A

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(a) Categories of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities are categorised as follows:

	2025 HK\$'000	2024 HK\$'000
Financial assets		
Financial assets at fair value through profit or loss	1,223	886
Financial assets at amortised cost		
– Trade and other receivables	19,118	56,666
– Time deposits with original maturity over three months	–	112,626
– Cash and bank balances	387,299	222,715
	406,417	392,007
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	45,538	69,715
Other financial liabilities		
Lease liabilities	4,119	3,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

(b) Financial results by financial instruments

	2025 HK\$'000	2024 HK\$'000
Fair value gain on:		
Financial assets at fair value through profit or loss	338	82
Dividend income on:		
Financial assets at fair value through profit or loss	33	25
Interest income or (expense) on:		
Financial assets at amortised cost	5,982	10,576
Other financial liabilities – lease liabilities	(69)	(116)
Impairment loss reversed/(recognised) on:		
Financial assets at amortised cost	215	(487)

(c) Financial instruments not measured at fair value

Management assessed the fair values of the current portion of trade and other receivables and deposits, time deposits with original maturity over three months, cash and bank balances and trade and other payables approximate their carrying value due to their short-term nature.

In the opinion of the directors, the fair value of the non-current portion of deposit is not materially different from its carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

(d) Financial instruments measured at fair value

The following table provides an analysis of financial instruments carried at fair value as at 31 December 2025 and by level of fair value hierarchy.

- i. Level 1: Quoted prices (unadjusted) in active markets for identical financial instruments
- ii. Level 2: Inputs other than quoted prices included in Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- iii. Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2025				
Financial assets				
Financial assets at fair value through profit or loss				
– Listed equity investments	1,223	–	–	1,223

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2024				
Financial assets				
Financial assets at fair value through profit or loss				
– Listed equity investments	886	–	–	886

During the year ended 31 December 2025, there were no transfers between levels (2024: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which the transfers occur.

The fair value of the listed equity investments as at 31 December 2025 and 2024 was determined by the directors based on quoted market prices available on the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk primarily through purchases and holding bank deposits that are denominated in currencies other than the functional currency of the group entities. The currencies giving rise to foreign currency risk are primarily RMB and Australian Dollars ("AUD"). The Group currently does not have a foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The policies to manage foreign currency risk have been consistently applied and are considered to be effective in limiting the Group's exposure to foreign currency risk to a desirable level.

The Group's exposure to foreign currency denominated financial assets and liabilities as at 31 December 2025 and 2024 are as follows:

	2025 HK\$'000	2024 HK\$'000
Financial assets		
RMB	2,433	4,002
AUD	5,713	5,096
Financial liabilities		
RMB	1,709	2,143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

Sensitivity analysis

The following table illustrates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	Increase/(Decrease) in profit for the year and retained profits	
	2025 HK\$'000	2024 HK\$'000
Financial assets		
RMB appreciated by 3%	73	120
AUD appreciated by 3%	171	153
Financial liabilities		
RMB appreciated by 3%	(43)	(54)

The changes in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group entities would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities, exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because exposure at the end of the reporting period does not reflect the exposure during the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits and lease liabilities. Transactions arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's time deposits with original maturity over three months have short maturity period while the deposit rates on bank balances are at low level. In addition, lease liabilities which are fixed-rate instruments are insensitive to changes in interest rates and a change in interest rate at the end of the reporting period would not affect the Group's profit or loss. Accordingly, the director's considered that the Group's exposure to interest rate arising from these items is insignificant.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The policies to manage interest rate risk have been consistently applied and are considered to be effective in limiting the Group's exposure to interest rate risk to a desirable level.

(c) Equity price risk

The Group is exposed to equity price risk arising from its investment in equity securities which are measured at fair value through profit or loss (note 20). All of these equity securities are listed on the Stock Exchange and included in the Hang Seng Index.

Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Hang Seng Index and other industry indicators, as well as the Group's liquidity needs.

Sensitivity analysis

Had the prices of the equity securities been 10% higher/lower, profit for the year and retained profits would increase/decrease by HK\$122,000 (2024: HK\$89,000). The changes in equity price do not affect the Group's other components of equity.

(d) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and retention receivables (note 19), contract assets (note 18(b)), time deposits with original maturity over three months, cash and bank balances and listed equity investments. The Group's exposure to credit risk in respect of these balances at the end of the reporting period is their carrying amounts.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

36. FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit risk (Continued)

In respect of trade and retention receivables and contract assets, it is the Group's policy to deal only with creditworthy counterparties. Normally, the Group does not obtain collateral from the counterparties. In order to minimise credit risk, the Group has credit policy to determine the credit limit and to monitor the ageing of the receivable balances. Follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of the receivables individually and collectively at the end of each reporting period to ensure that adequate impairment provision is made for irrecoverable amounts.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. As at 31 December 2025, the Group has certain concentration of credit risk as 19% and 69% (2024: 42% and 82%) of the Group's trade receivables were due from a customer and the five customers respectively.

In respect of cash and bank balances and time deposits with original maturity over three months, the Group's exposure to credit risk is limited because majority of the deposits are placed with reputable banks, for which the Group considers to have low credit risk.

As to investment strategies, all of the Group's equity investments are liquid securities listed on the Stock Exchange. Accordingly, the directors consider that the Group's exposure to credit risk in respect of its investments in securities is low.

The credit and investment policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

Impairment under the ECL model

The Group performs impairment assessment on trade receivables, retention receivables and contract assets under ECL model individually or based on collective assessment. Except for customers with credit-impaired balances, which are assessed for impairment individually, trade receivables, retention receivables and contract assets are grouped under collective assessment based on shared credit risk characteristics. For collective assessment, the Group takes into consideration the background and size of the customers and their historical payment behaviour including circumstance of default when formulating the grouping. The Group considers a trade receivable to be in default when the customer is considered unlikely to pay its credit obligations in full or when the financial asset is more than 90 days past due. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group considers a financial asset to be credit-impaired in the following circumstances: (i) the debtor is in significant financial difficulty; (ii) restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or (iii) it is probable that the debtor will enter bankruptcy or other financial reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit risk (Continued)

Impairment under ECL model (Continued)

The Group measures loss allowance for trade receivables, retention receivables and contract assets using simplified approach and calculates ECLs at an amount equal to lifetime ECLs, which is calculated by considering probabilities of default. Under this approach, the Group analyses its customers based on their credit risk characteristics and determines probability of default for each risk cluster by benchmarking the external credit ratings published by a credit rating agency to similar risk portfolio. ECL rates are thereby determined based on probabilities of default, taking into account loss given default and adjusted for forward-looking information.

The following table provides information about the exposure to credit risk for the remaining trade receivables, retention receivables and contract assets as at 31 December 2025 and 2024 which are based on individual and collective assessment within lifetime ECL.

	ECL rate	Gross carrying amount		Contract assets HK\$'000
		Trade receivables HK\$'000	Retention receivables HK\$'000	
As at 31 December 2025				
Collective assessment				
– Low risk	0.05% to 0.07%	8,885	1,128	30,286
– Moderate risk	0.10% to 0.17%	5,789	23	33,137
Individual assessed for specific debtors	100%	–	–	3,057
		14,674	1,151	66,480
As at 31 December 2024				
Collective assessment				
– Low risk	0.06% to 0.75%	36,128	1,191	38,025
– Moderate risk	0.11% to 1.61%	15,569	509	43,652
Individual assessed for specific debtors	100%	–	–	3,057
		51,697	1,700	84,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit risk (Continued)

Impairment under ECL model (Continued)

	Net carrying amount		Contract assets HK\$'000
	Trade receivables HK\$'000	Retention receivables HK\$'000	
As at 31 December 2025			
Collective assessment			
– Low risk	8,607	1,084	29,999
– Moderate risk	5,739	22	32,664
Individual assessed for specific debtors	–	–	–
	14,346	1,106	62,663
As at 31 December 2024			
Collective assessment			
– Low risk	35,860	1,129	37,687
– Moderate risk	15,317	503	43,230
Individual assessed for specific debtors	–	–	–
	51,177	1,632	80,917

The ECL rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the balances. At the reporting date, management reassessed the probabilities of default and loss given default are updated and changes in the forward-looking estimates are also analysed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit risk (Continued)

Impairment under ECL model (Continued)

The following table shows the movements in lifetime ECLs that have been recognised for trade receivables, retention receivables and contract assets under the simplified approach.

	Lifetime ECLs		Total HK\$'000
	Not credit- impaired HK\$'000	Credit-impaired HK\$'000	
As at 1 January 2024, 31 December 2024 and 1 January 2025	1,348	3,057	4,405
Impairment losses (reversed)/recognised	(215)	–	(215)
As at 31 December 2025	1,133	3,057	4,190

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities and other financial instruments that will be settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and lease liabilities and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and other financial instruments, based on undiscounted cash flows (including interest payments) and based on the agreed scheduled repayments set out in the agreements.

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
As at 31 December 2025					
Trade and other payables	45,538	45,538	44,338	1,200	–
Lease liabilities	4,119	4,502	1,641	1,513	1,348
	49,657	50,040	45,979	2,713	1,348
As at 31 December 2024					
Trade and other payables	69,715	69,715	68,055	1,660	–
Lease liabilities	3,260	3,313	3,108	205	–
	72,975	73,028	71,163	1,865	–

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the Company's annual reports, is set out below.

	For the year ended 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	380,422	429,312	496,631	382,786	403,211
Gross Profit	100,138	114,456	106,908	97,538	92,862
Profit before income tax	65,245	55,928	67,806	51,804	44,209
Income tax expense	(9,674)	(12,738)	(10,803)	(8,400)	(7,409)
Profit for the year	55,571	43,190	57,003	43,404	36,800

	As at 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Non-current assets	7,683	6,179	38,836	11,739	17,772
Current assets	474,294	482,997	446,003	391,938	390,717
Total assets	481,977	489,176	484,839	403,677	408,489
Non-current liabilities	2,648	202	2,674	5,567	8,324
Current liabilities	181,859	211,984	168,598	108,501	142,852
Total liabilities	184,507	212,186	171,272	114,068	151,176
Total equity	297,470	276,990	313,567	289,609	257,313