G&M Holdings Limited
信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 6038**

# 2020
# Annual Report

# 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 20 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 (Appointed on 18 June 2020)
Mr. Chan Wai Yin (Resigned on 1 January 2021)

### Non-executive Director

Mr. Leung Ping Kwan

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

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

## JOINT COMPANY SECRETARIES

Ms. Huen Shuk Man
Mr. Lee Baldwin

## REGISTERED OFFICE

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

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

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

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

## PRINCIPAL BANKERS

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

## AUDITOR

BDO Limited
*Certified Public Accountant*

## COMPANY WEBSITE

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 2020 (the "**Year 2020**").

The Year 2020 has been filled with challenges, as broad spectrum of industries fall victims to the coronavirus disease ("**COVID-19**") outbreak and the consequential disease control measures. Revenue of the Group for the Year 2020 was below expectation due to the delay in progress of a major project as a result of delay of other contractor(s) at the stage prior to commencement of the Group's works. Faced with the uncertainties brought on by the prolonged COVID-19 outbreak, the Group has taken a more prudent approach in its bid for projects in the Year 2020, focusing on those involving higher level of design element, technical capability and customised features with an aim to conserve its resources on quality projects by reputable customers with healthy profit margins. The Group's business development approach has proved to be successful and the Group has been awarded projects with estimated total contract sum of approximately HK$634.9 million during the Year 2020, and the outstanding contract value of its projects on hand as at 31 December 2020 reached a new high. Most notably, the Group secured a project for the design, supply and build of surface structure of a sports stadium project including awarded variance orders, being the single largest project of the Group so far with project value of over HK$300 million, which involved the use of Kameleon color (color shifting).

It is envisaged the aforesaid sport stadium project will serve as a showcase for the Group's technical capability and innovative approach in offering design and build solution to our customers. The Board is confident that the Group will remain competitive in the market due to our established market presence in the podium facade market, the well-established long term relationship with customers and our experienced and dedicated management team.

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.

The Board is pleased to share the Group's performance with its shareholders and recommends the payment of a final dividend of HK1.1 cents per share of the Company for the Year 2020.

**LEE Chi Hung**
*Chairman and Executive Director*

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

While the Group was previously being predominantly engaged in podium facade design and build projects, it has gradually established a notable presence in the curtain wall design and build market since year 2018 and revenue from podium facade projects and curtain wall projects reached a 50/50 split of the Group's revenue from design and build projects in the Year 2019. Curtain wall projects are generally larger in scale and extend over a longer time period and require more net cash outflows at the early stage and as such, the taking up of curtain wall projects is constrained by availability of Group's operational and financial resources.

Faced with the uncertainties brought on by the prolonged COVID-19 outbreak, the Group has taken a more prudent approach in its bid for projects in the Year 2020, focusing on those involving higher level of design element, technical capability and customized features with an aim to conserve its resources on quality projects by reputable customers with healthy profit margins. The Group's business development approach has proved to be successful as the contract value of its projects on hand as at 31 December 2020 reached a new high, the details of which are set out in the outlook and prospect paragraph below.

## FINANCIAL REVIEW

### Revenue

During the Year 2020, the Group recorded a revenue of approximately HK$243.4 million, representing a decrease of approximately HK$56.4 million or 18.8% from that of approximately HK$299.8 million for the year ended 31 December 2019 (the "**Year 2019**"). Design and build projects contributed approximately HK$232.9 million (Year 2019: HK$285.3 million) of the Group's total revenue whereas repair and maintenance services brought in revenue of approximately HK$10.5 million (Year 2019: HK$14.5 million), representing approximately 95.7% (Year 2019: 95.2%) and 4.3% (Year 2019: 4.8%) of the Group's total revenue, respectively. The decrease in revenue was mainly attributable to delay in progress of a major project as a result of delay by other contractor(s) at the stage prior to commencement of the Group's works. The portion of revenue from design and build projects attributable to podium facade and related works and curtain wall works for the Year 2020 was 68.5% and 31.5% respectively, as compared to a balanced split of 50.0% and 50.0% respectively for the Year 2019, as majority of works for key curtain wall projects had been completed in the Year 2019 and no new curtain wall projects being undertaken by the Group in the Year 2020.

## Outlook and prospects

The Group's major projects on hand as at 31 December 2020 can be summarised as follow:

| No. | Type of works undertaken | Location | Expected completion date | Estimated remaining contract value as at 31 December 2020 HK$' million |
|---|---|---|---|---|
| 1. | Podium facade | Kaitak, Kowloon | Dec 2022 | 291.4 |
| 2. | Podium facade | Kwun Tong, Kowloon | Jun 2022 | 218.2 |
| 3. | Podium facade | Taikoo, Hong Kong | Dec 2021 | 197.8 |
| 4. | Podium facade | Tin Shui Wai, New Territories | Jun 2021 | 58.6 |
| 5. | Podium facade | Yuen Long, New Territories | Jun 2021 | 14.1 |
| | | | | 780.1 |

Subsequent to the end of the Year 2020 and up to the date of this report, the Group is in the process of bidding for or pending the results of 7 sizeable podium facade project tenders with an estimated total contract value of over approximately HK$285.6 million.

Ever since the outbreak of COVID-19, the developers have taken a more prudent business approach for their projects so that the tender invitations and award notice have shown sign of delay in general. The Group will closely monitor the situation and evaluate the potential impact on its operation and financial position on a continuing basis.

## Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$6.3 million or 9.0% from approximately HK$69.5 million for the Year 2019 to approximately HK$63.2 million for the Year 2020. Gross profit margin of the Group was approximately 26.0% for the Year 2020 as compared with that of approximately 23.2% for the Year 2019. The increase in the gross profit margin was mainly due to the better control on the cost for various projects.

## Administrative and other operating expenses

The Group's administrative and other operating expenses increased by approximately HK$0.9 million or 2.3% from approximately HK$38.4 million for the Year 2019 to approximately HK$39.3 million for the Year 2020. Such increase was mainly due to the increase in legal and professional fee for purpose of recruitment and increase in employee benefit expenses.

## Income tax expenses

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 profit tax rates regime during the reporting periods.

For the Year 2020, the Group recorded income tax expense of approximately HK$4.4 million (Year 2019: approximately HK$4.9 million) representing an effective tax rate of approximately 15.9% (Year 2019: approximately 15.6%).

# MANAGEMENT DISCUSSION AND ANALYSIS

### Profit for the Year

The Group's profit for the Year 2020 amounted to approximately HK$23.3 million, representing a decrease of approximately HK$3.1 million or 11.7% as compared to that of approximately HK$26.4 million for the Year 2019.

Such decrease was mainly due to the drop in gross profit of approximately HK$6.3 million as discussed above and partially offsetted by an increase in other income of approximately HK$3.6 million which was mainly related to government subsidy for epidemic relief.

### Receivable turnover days

The Group's receivable turnover days for the Year 2020 remained similar at approximately 76.4 days as compared to approximately 75.2 days for the Year 2019. The Group did not observe any signs of default on any of its trade receivables balance as at 31 December 2020.

### Bank borrowings

The Group's bank borrowings as at 31 December 2020 remained stable at approximately HK$1.1 million (Year 2019: HK$1.0 million). The Group has minimal need for external financing as its internal resources provided sufficient working capitals for its operations needs.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's gearing ratio, calculated by dividing bank borrowings by total equity, as at 31 December 2020 remained healthy and stable at approximately 0.5% (31 December 2019: 0.4%).

The Group's cash and cash equivalents balances as at 31 December 2020 amounted to approximately HK$149.2 million, representing an increase of approximately HK$20.7 million as compared to that of approximately HK$128.5 million as at 31 December 2019. Such increase was mainly due to the amount earned from operating activities.

The Group's bank borrowings as at 31 December 2020 were all denominated in European Dollars. The interest rates were 3.13% per annum.

### 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 2020.

## CAPITAL EXPENDITURES AND COMMITMENTS

As at 31 December 2020, the Group had capital commitments of approximately HK$2.0 million.

## SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the Year 2020.

## MATERIAL ACQUISITIONS AND DISPOSALS

During the Year 2020, the Group did not have any material acquisitions and disposal of subsidiaries, associations and joint ventures.

## PLEDGE OF ASSETS

As at 31 December 2020, pledged deposits in the sum of approximately HK$5.0 million (31 December 2019: HK$5.0 million) were placed with a bank as security for a banking facility of the Group.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020.

## 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 103 staff as at 31 December 2020 (31 December 2019: 100 staff) and the total employee benefit expenses for the Year 2020 amounted to approximately HK$57.6 million (Year 2019: HK$51.7 million). Such increase was mainly contributed to the increase number of staff and average salary per staff. The Group determines the remuneration of its employees based on each employee's qualifications, experience and past performance. The remuneration committee makes recommendations to the Board on the overall remuneration policy and structure for our Directors and senior management. The Group maintains a good relationship with its employees and has not experienced any major labour disputes nor any difficulty in recruiting suitable staff.

### Senior management remuneration

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

| | **2020 Number of individuals** | 2019 Number of individuals |
|---|---|---|
| Nil to HK$1,000,000 | **0** | 1 |
| HK$1,000,001 to HK$1,500,000 | **4** | 3 |
| HK$1,500,001 to HK$2,000,000 | **2** | 1 |

## Customers, suppliers and subcontractors

The Group maintains a close and stable relationship of more than 10 years with the majority of its major customers, with some going over 15 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 20 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) Water 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 2020 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 2020 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 14 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 2020, except in relation to provision A.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 23 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 10 of the Listing Rules and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code during the Year 2020 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 D.3.1 of the CG Code.

During the Year 2020 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 and the attendance record of each Director at board meetings and general meeting during the Year 2020 are as below.

| | **Attendance/ Board meeting held** | **Attendance/ General meeting held** |
|---|---|---|
| *Executive Directors* | | |
| Mr. Lee Chi Hung *(Chairman and Chief Executive Officer)* | 4/4 | 1/1 |
| Ms. Lam Suk Yee Patricia (appointed on 18 June 2020) | 2/2 | N/A |
| Mr. Chan Wai Yin (resigned on 1 January 2021) | 4/4 | 1/1 |
| *Non-executive Director* | | |
| Mr. Leung Ping Kwan | 2/4 | 0/1 |
| *Independent Non-executive Directors* | | |
| Professor Wong Roderick Sue Cheun | 4/4 | 1/1 |
| Mr. Tai Kwok Leung, Alexander | 4/4 | 1/1 |
| Mr. Kwan Cheuk Kui | 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 2020.

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.

## 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 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 2020 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) | | | |
| *Independent Non-executive Directors* | | | | |
| Professor Wong Roderick Sue Cheun | 3/3(M) | 2/2(M) | 2/2(M) | 2/2(M) |
| Mr. Tai Kwok Leung, Alexander | 3/3(C) | 2/2(M) | 2/2(M) | 2/2(M) |
| Mr. Kwan Cheuk Kui | 3/3(M) | 2/2(M) | 2/2(C) | 2/2(M) |
| *Executive Directors* | | | | |
| Mr. Lee Chi Hung | N/A | 2/2(C) | 2/2(M) | N/A |
| Mr. Chan Wai Yin (resigned on 1 January 2021) | N/A | N/A | N/A | 2/2(C) |
| Ms. Lam Suk Yee Patricia (appointed on 18 June 2020) | N/A | N/A | N/A | N/A |
| *Non-executive Director* | | | | |
| Mr. Leung Ping Kwan | N/A | N/A | 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 2020 and met the Company's auditor to discuss auditor's independence, audit approach, key audit matters, results of audit for the Year 2020. 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 2020. 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 forthcoming annual general meeting and considered the appointment of a new executive Director during the Year 2020. The nomination committee is of the view that the Board comprised the suitable qualifications and diversity for leading and governing the Group.

## 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 2020 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.

## 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 2020 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 2020 and to report their findings to the risk management committee and the Board. The review scope for the Year 2020 covered project budgeting and tendering, project progress and cash flows management, risk management functions and overall financial forecast and monitoring.

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 2020 is as below:

| **Fee Amount** | HK$'000 |
|---|---|
| Audit services | 630 |
| Non-audit services | – |
| | 630 |

## 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 50 to 54 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 2020, 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 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 (Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, 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. There has been no change to the Company's constitution document during the Year. 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 2020.

## 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 27 to the consolidated financial statements.

## BUSINESS REVIEW

A fair review of the business of the Group during the Year 2020, 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 – 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 2020 are set out in the consolidated statement of comprehensive income on page 55 of this annual report.

The Directors recommended the payment of a final dividend of HK1.1 cents per share, amounting to a total of HK$11.0 million for the Year 2020, representing a dividend ratio of approximately 47.2%. The proposed final dividend is subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 22 June 2021 (the "**AGM**") and is expected to be paid on or about 21 July 2021.

As at the date of this annual report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 17 June 2021 to Tuesday, 22 June 2021 (both days inclusive), during which period no transfer of Shares will be registered, for purpose of determining the right to attend and vote at the AGM. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Wednesday, 16 June 2021 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

To ascertain entitlement to the proposed final dividend, the register of members of the Company will also be closed from Monday, 28 June 2021 to Wednesday, 30 June 2021 (both days inclusive). In order to qualify for the proposed final dividend, which is subject to approval of shareholders at the AGM, holders of shares of the Company must ensure that all transfers of shares be lodged with the Company's branch share registrar and transfer office in Hong Kong for registration no later than 4:30 p.m. on Friday, 25 June 2021.

## 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 120 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 2020 amounted to approximately HK$149,000.

## SHARE CAPITAL

Details of movement in the Company's share capital during the Year 2020 are set out in note 23 to the consolidated financial statements.

## RESERVES

Movements in the reserves of the Group during the Year 2020 are set out in the consolidated statement of changes in equity on pages 57 to 58 of this annual report. Details of movement in the Company's reserves during the Year 2020 are set out in note 26 to the consolidated financial statements.

The Company's distributable reserves amounted to approximately HK$160.0 million as at 31 December 2020.

## SHARE OPTION SCHEME

During the Year 2020, 2,750,000 share options under the share option scheme (the "**Share Option Scheme**") was lapsed and no options have been exercised or cancelled since then and up to the date of this annual report.

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 options 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.

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 the date of Listing until 12 May 2027.

During the Year 2020, an executive Director and other eligible participants have interests in share options to subscribe for the shares of the Company. Details of such interests and movements in the Company's share options under the Share Option Scheme for the Year 2020 as followings:

| Participants | Date of Grant | Exercise period | Balance as at 1 January 2020 | Granted during the Year | Exercised during the Year | Lapsed during the Year | Balance as at 31 December 2020 | Exercise Price HK$ |
|---|---|---|---|---|---|---|---|---|
| Chan Wai Yin | 2 November 2018 | From 1 January 2020 to 31 December 2020 (both days inclusive) | 1,500,000 | – | – | 1,500,000 | – | 0.28 |
| Other Eligible Participants | 2 November 2018 | From 1 January 2020 to 31 December 2020 (both days inclusive) | 1,250,000 | – | – | 1,250,000 | – | 0.28 |

## 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 2020.

## DIRECTORS

The Directors of the Company during the Year 2020 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**") (appointed on 18 June 2020)
Mr. Chan Wai Yin (resigned on 1 January 2021)

### Non-executive Director

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

### Independent Non-executive Directors

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

In accordance with the provisions of the Company's articles of association, Mr. Lee Chi Hung 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 2020. 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 2020.

## 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 2020.

## 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 2020.

## DISCLOSURE OF INTERESTS

As at 31 December 2020, 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 Director | Capacity | Number of Shares interested | Percentage of shareholding |
|---|---|---|---|
| Mr. Lee | Interest in a controlled corporation; interest held jointly with another person *(Note 1)* | 750,000,000 | 75% |
| Mr. Leung | Interest in a controlled corporation; interest held jointly with another person *(Note 1)* | 750,000,000 | 75% |
| Ms. Lam | Interest of spouse *(Note 2)* | 750,000,000 | 75% |

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

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

*Notes:*

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

2. Ms. 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 2020, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

## Substantial shareholders' interest in the Company

| Name of shareholder | Capacity | Number of Shares held/ interested in | Long/short position | Percentage of shareholding |
|---|---|---|---|---|
| Luxury Booming *(Note 1)* | Beneficial owner | 750,000,000 | Long | 75% |
| Ms. Ku Nga Ping *(Note 2)* | Interest of spouse | 750,000,000 | Long | 75% |

*Notes:*

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

2. Ms. Ku Nga Ping is the spouse of Mr. Leung and is deemed, or taken to be, interested in all Shares in which Mr. Leung has interest in under the SFO.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year 2020, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 97.9% and 48.9% of the Group's total turnover respectively.

During the Year 2020, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 56.5% and 14.8% 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. In proposing any dividend payout, 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.

## RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the Year 2020 are disclosed in note 32 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 2020 and up to the date of this annual report.

## AUDITOR

The consolidated financial statements for the Year 2020 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, 31 March 2021

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Lee Chi Hung (李志雄)**, aged 55, is an executive Director, the chairman of the Board and the chief executive officer of the Company. Mr. Lee is the co-founder of the Group and 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 23 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 Ngan 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 55, 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 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 75% of the issued share capital of the Company.

## NON-EXECUTIVE DIRECTOR

**Mr. Leung Ping Kwan (梁炳坤)**, aged 59, was appointed as a non-executive Director on 9 January 2017 and 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 10 years of experience in these trade divisions. He has more than 20 years of experience in the construction industry.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Professor Wong Roderick Sue Cheun (王世全)**, aged 76, is an independent non-executive Director and joined the Group in May 2017. Professor Wong obtained a degree of Bachelor of Arts from San Diego State College (now known as San Diego State University) in the United States and a degree of Doctor of Philosophy in mathematics from the University of Alberta in Canada. He had been Chair Professor of Mathematics and the Director of of the Liu Bie Ju Centre for Mathematical Sciences at City University of Hong Kong until his retirement in July 2019. Professor Wong was a special advisor to the president of Southern University of Science and Technology of China (南方科技大學) (formerly known as South University of Science and Technology of China). Also, Professor Wong is an independent non-executive director of Sam Woo Construction Group Limited (stock code: 3822) and BExcellent Group Holdings Limited (stock code: 1775) which shares are listed on the Stock Exchange.

**Mr. Tai Kwok Leung, Alexander (戴國良)**, aged 63, is an independent non-executive Director and joined the Group in May 2017. Mr. Tai is a partner of VMS Securities Limited and previously 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 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Mr. Tai is an independent non-executive director of Jiayuan International Group Limited (stock code: 2768), Shengjing Bank Co., Ltd. (stock code: 2066) and AAG Energy Holdings Limited (stock code: 2686), which are all listed on the Stock Exchange. In August 2020, Mr. Tai resigned as an independent non-executive director of Luk Fook Holdings (International) Limited (stock code: 590), which is listed on the Stock Exchange. 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 57, 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 Law 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.

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.

## SENIOR MANAGEMENTS

**Mr. Wong Kin Fai (黃健輝)**, aged 48, is the General Manager of the Group and joined the Group in April 2020. He is primarily responsible for overseeing the operation of the Group. He obtained a Bachelor degree of Engineering in Manufacturing Engineering from The Hong Kong Polytechnic University.

**Mr. Choi Yau Wan (蔡有宏)**, aged 61, is the Head of Design of the Group and joined the Group in August 2017. He is primarily responsible for overseeing the operation of Design Team of a subsidiary of the Group. He obtained a Diploma in Construction Management at Hong Kong University (Space). He has over 30 years of experience in the construction industry in Hong Kong and Australia.

**Mr. Lau Chi Sing (劉智星)**, aged 65, is the Head of Project of the Group and joined the Group in May 2019. He is primarily responsible for overseeing the operation of project team of a subsidiary of the Group. He obtained a Master Degree in Business Administration at The International Management Centres on 1993 and a Diploma in Civil Engineering at Hong Kong Baptist College. He has over 35 years of experience in the construction industry in Hong Kong.

**Mr. Tong Wai Shing, Wilson (湯偉成)**, aged 42, is the senior project manager 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 14 years of experience in the construction industry in Hong Kong.

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Ho Ting Shun (賀挺信)**, aged 55, is a senior design manager and joined the Group in May 2013. He is responsible for the overall management of the Group's design department. Mr. Ho holds a degree of Bachelor of Engineering in manufacturing engineering from the Hong Kong Polytechnic University. Mr. Ho has over 21 years of experience in the construction industry in Hong Kong.

**Ms. Huen Shuk Man (禤淑敏)**, aged 36, 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 five years of experience in auditing, accounting and financial management.

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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**EMPOWER**
**OURSELVES**
**And**
**DELIVER**
**A BETTER WORLD**

Over the past years, the Group invested in our people and our capabilities to deliver unparalleled engineering, project design and construction for our clients and the communities we serve. The Group has been empowering itself – both for delivering excellence to our clients and assuming more corporate social responsibilities.

Our clients can rely on our experience and expertise to meet their high and stringent standards set in the industry. The Group also promotes a work-life balance lifestyle for all our employees and also support continuous training and education for staff to develop their potential and to bring them an enjoyable life both at work and in their personal life. All our stakeholders can rely on our commitment to meet our sustainability objectives and to deliver a better world.

ESG has become an important benchmark in assessing the quality, value and vision of an organisation. As the corporate community is increasingly investing to meet their sustainability objectives and ESG challenges, from environmental and climate issues to social issues like safety, social impact and quality of life. We are obliged to be a responsible corporate citizen to better our society and are well-positioned to fulfil our clients' ESG initiatives.

**Lee Chi Hung**
*Chairman*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## BACKGROUND OF REPORT

## REPORTING STANDARD AND SCOPE

We are pleased to present the Environmental, Social and Governance ("**ESG**") Report (the "**Report**") of G&M Holdings Limited (the "**Company**" together with its subsidiaries as the "**Group**" or "**G&M**") for the year ended 31 December 2020. This Report aims to provide an annual update on the sustainability performance of the Group to our stakeholders, and it presents our cares for the environment, the society and our customers.

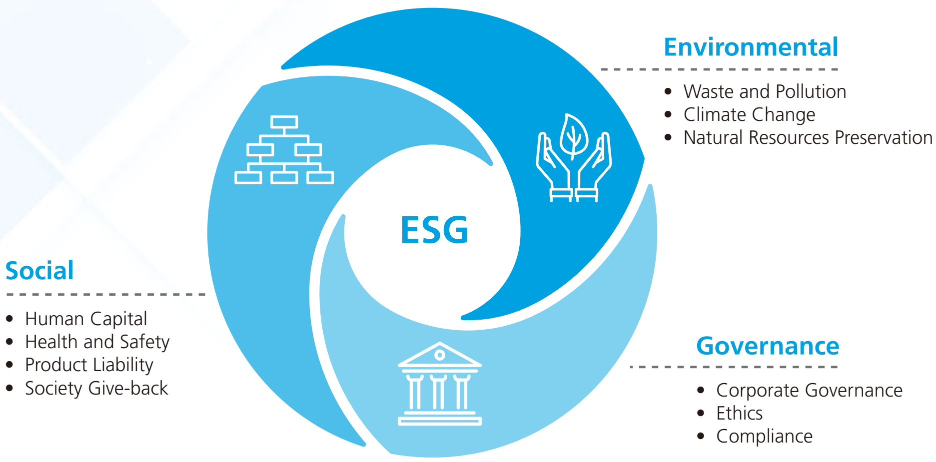
This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has complied with all the "comply or explain" provisions of the Guide. In this Report, we consider the reporting principles as proposed in the Guide for materiality, quantitative, balance and consistency for presenting the ESG information in a way that can meet better the expectation of our stakeholders.

This Report covers the Group's operations in Hong Kong, which consists mainly of the provision of one-stop design and build solutions, as well as repair and maintenance services in relation to podium façade and curtain wall works for the period from 1 January 2020 to 31 December 2020 (the "**Reporting Period**"). There is no significant change in the scope of this Report from that of 2019.

## OUR ESG STRATEGY

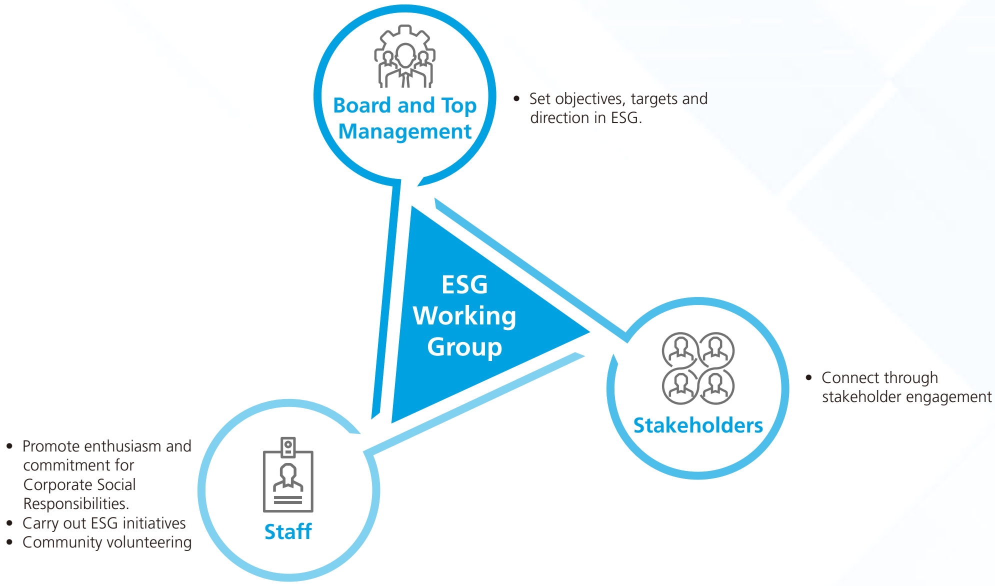
G&M's ESG strategy is developed for aligning the Group's philosophy of being a reliable company for sustainability. Sustainability at G&M means protecting our environment, developing our employees, maintaining a strong culture and policy of safety, operating ethically, supporting our communities and being socially responsible. We are committed to act ethically and to contribute to the society and at the same time to improve the quality of life of our employees and their family. As we continue our sustainability journey, we remain focused on integrating sustainability across our business to enhance our operations, with the objectives of creating long-term value for our stakeholders.

Our ESG strategy is also developed alongside with the key issues focused by most ESG fund managers and investors as illustrated on the diagram below:



## OUR GOVERNANCE STRUCTURE

The Board oversees the ESG development of the Group and sets out ESG objectives and direction. It has delegated the day-to-day execution of all ESG related responsibilities to the ESG working group, through the responsible Executive Director.




## THE ESG WORKING GROUP

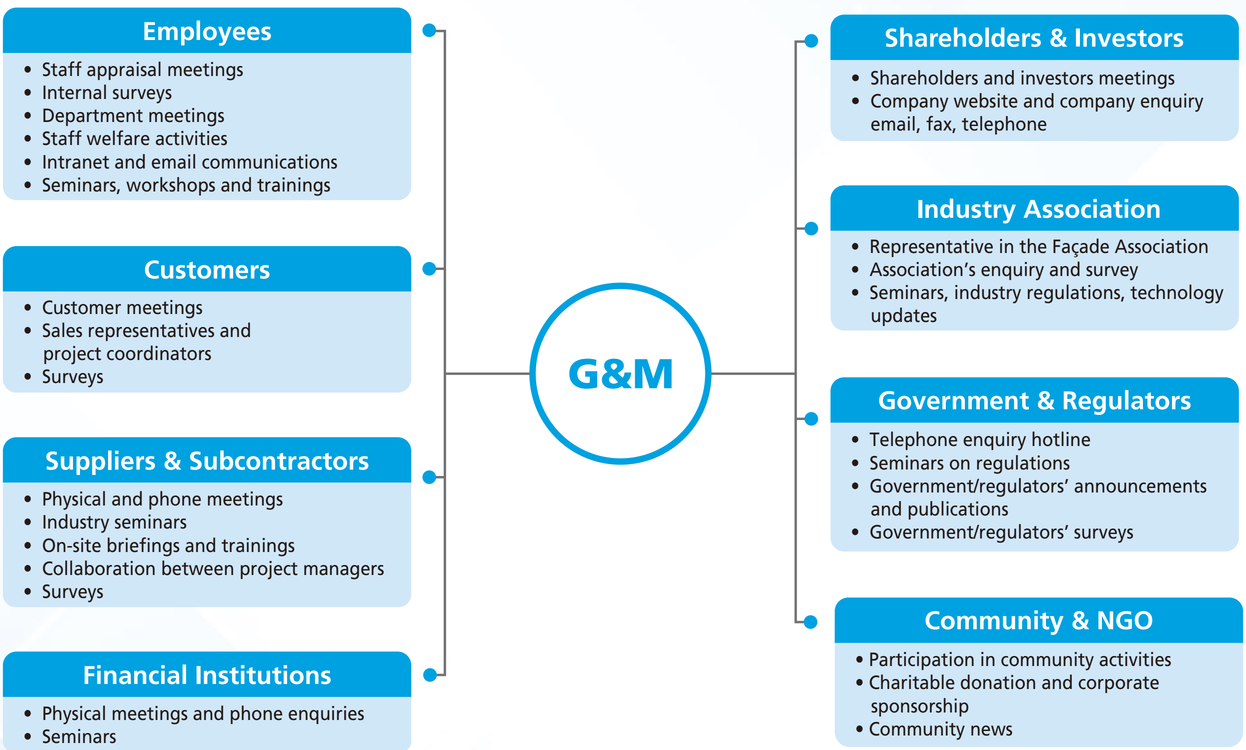
This Report is prepared by our ESG working group, which consists of the external ESG advisor, the General Manager, the Marketing Manager, the Financial Controller, the Administration Officer and the Project Manager.

### Objectives of ESG Working Group

- Follows and reports to the Board and the top management on the ESG strategies and proposes ESG initiatives for achieving the sustainability objectives;
- Engages and communicates with stakeholders for performing materiality assessment and formulating ESG strategies and initiatives;
- Coordinates with staffs for delivery of the ESG initiatives;
- Determines the Key Performance Indicators (“**KPI**”) for measurement of ESG performances;
- Monitors the ESG activities for on-going development and improvement.

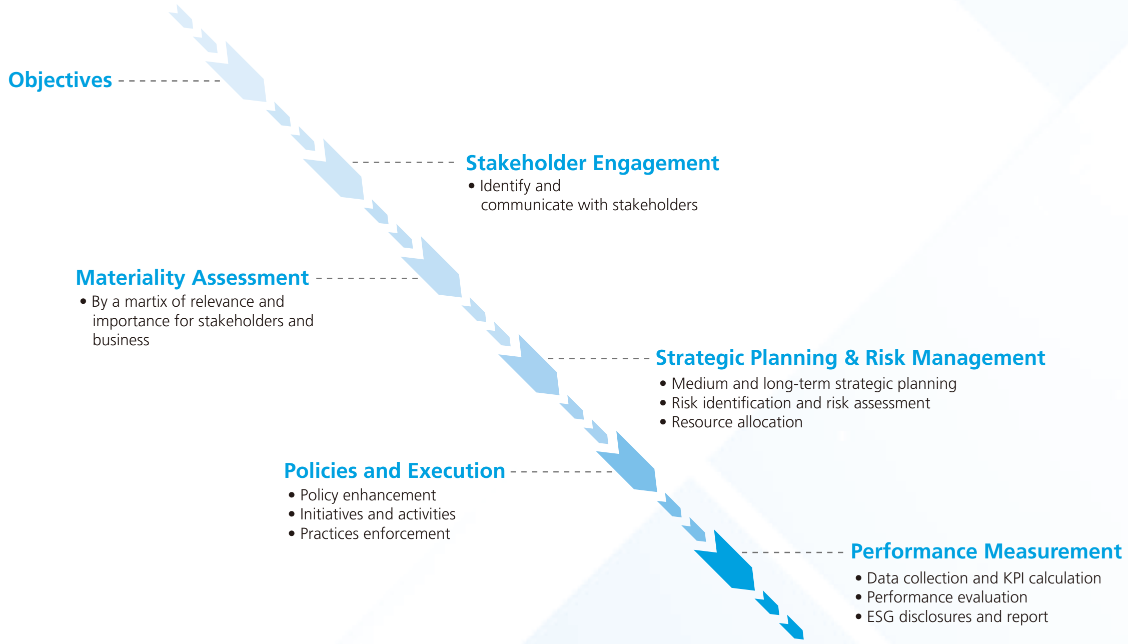
## STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS

We have been engaging key stakeholders to understand their concerns over our sustainability developments. Such engagement is important for us to assess the priority of sustainability development and implementation of ESG initiatives. We perform a two-way communication with stakeholders through a variety of channels. As a result, we not only can identity the opportunities and challenges for formulating our business strategies, but also can enhance our corporate social responsibilities. The chart below highlights the various communication channels with our stakeholders:



## G&M FRAMEWORK FOR CREATING SUSTAINABLE VALUES

Our ESG framework governs how our objectives are translated into sustainability performance. After stakeholders are engaged and views are collected from the stakeholders, materiality assessment is carried out by plotting a matrix of relevance and importance, where the views of what are important to business (as considered by the top management) and what are important to stakeholders are identified. Through the assessment result, we identify the material ESG issues and the respective risks associated in our operations. We prioritise the material issues and focus such in the medium and long-term planning and ensure adequate manpower and financial resources are allocated to meet these strategic objectives. Policies are enhanced and improved where they are inadequate to meet the ESG objectives. The ESG working group formulates ESG initiatives and arranges activities for achieving the ESG objectives. It ensures the initiatives and action plans are properly executed. ESG data are accumulated continuously and analysed annually for evaluation of sustainability performance. A feedback mechanism on the ESG performance is in place for the Board to revise and update the ESG objectives based on the result, and the ESG process will be revisited periodically as a continuous process to reflect what we have achieved during the process.




## STAKEHOLDERS' FEEDBACK

We welcome stakeholders' feedback on our environmental, social and governance approach and performance for enhancing our sustainable values. Please share your views with us via email at gmhk@gm-eng.com.hk.

## SOCIAL BETTERMENT

## RESPECT AND VALUE OUR PEOPLE

**Our people are vital to our success and they pursue our vision to deliver a better world**

### Employment Practices and Labour Standards

Here at G&M, we have a lot of valuable assets within our business, and they are all irreplaceable and non-separable from our day-to-day operations. However, above all others in term of value, our employees stand out as the most valuable asset in our business. We recognise the importance of our people's role in maintaining the quality of our products and the reputation of our Company. As such we are dedicated to the development of our people, and endeavour to fostering an engaging work environment that stimulates creativity and meets challenges for business growth.

We endeavour to recruit high-calibre talents to maintain quality and stability in our workforce and would select candidates based on their knowledge, work experience, skill, attitude, and commitment on equality basis. We pursue fair employment practices in our business that we are committed to providing equal opportunity and fair treatment to all individuals on the basis of merit, without discrimination because of race, colour, religion, national origin, sex (including pregnancy), sexual orientation, age, disability, veteran status or other characteristic protected by law. We always uphold a set of basic human resources policies as outlined below:

**Basic Human Resources Principles**

- Offer to our staff competitive employment terms and conditions in their respective region.
- Respect the human rights and privacy of our employee.
- Promote equal opportunities for employment, and fairly treat and not discriminate against each individual employee on their nationality, gender, marital status, race, religion, age, and physical or mental disability that are irrelevant to their work performance.
- Provide a workplace to our employees with good work-life balance, where they can accomplish their tasks with satisfaction and pride.
- No toleration of child labour and forced labour.
- Comply with all applicable laws and regulations on employment.

The detail human resources policies are set out in our staff handbook and the code of conduct where recruitment, dismissal, probation, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare are comprehensively stated for our employees.

Our employees are well protected on their rights that major terms and conditions of employment are comprehensively stated in their employment letters. The employment is voluntary and would not be changed arbitrarily without communicating with our staff. Our staff can work on their own free will and are free to leave the Group upon reasonable notice in accordance with their employment letter and the relevant human resources policies.

We also have policies and procedures for prohibiting the employment of child labour. Our human resources department will examine the applicant's original identity document with photo indicates the age of applicant to prevent employment of child labour. We strictly comply with the laws and regulations that have significant impact on the Group relating to employment of child and forced labour.

As at 31 December 2020, we were employing 75 (2019: 69) staff in Hong Kong and 28 (2019: 31) staff in the PRC. We have strictly complied with the following labour laws and regulations on employment as set out in Hong Kong and the PRC.

**Compliance of Employment Regulations**

**In Hong Kong**

- Employment Ordinance
- Employees' Compensation Ordinance
- Minimum Wage Ordinance
- Sex Discrimination Ordinance
- Disability Discrimination Ordinance
- Mandatory Provident Fund Schemes Ordinance
- Family Status Discrimination Ordinance
- Race Discrimination Ordinance

**In the PRC**

- Labour Law
- Labour Contract Law

During the Report Period, we were not aware of any non-compliance with the above relevant laws and regulations that had significant impact on the Group relating to employment and labour standards.

## Retain and Reward our Talents

### Retention

We uphold our talents as priority number one which is substantiated by how we treat them with respect, offer flexibility of work and competitive remuneration and benefits, and provide ample opportunities of professional development. We strive to provide a fair, inclusive and supportive working environment for our talents so that they come to work every day with pride and passion to perform. These policies are fundamental to our objectives of attracting, incentivising, and retaining the best talents for success in our business.

As an initiative to retain our talents, we offer all our middle to senior managerial talents the same medical hospitalization and term life insurance benefits which are the same as our chairman, while all other talents are also receiving these medical and life insurance benefits with a little lower coverage.

## Appraisal and Rewards

We have in place a comprehensive rewarding system in accordance with their individual qualification, working experience and work performance, to maintain our competitiveness in attracting and retaining talents. To recognize and encourage our talents to deliver better and higher quality works, our talents are rewarded with attractive performance bonus at the end of financial year relative with their contributions and the business performance of the Group.

IN G&M, we adopt a pay-for-performance approach to ensure our talents are renumerated and rewarded in proportion to their performance. To ensure our talents are compensated fairly and objectively, we conduct systematic performance appraisal annually to provide a formal two-way communication channel for our talents and their supervisors. Departmental supervisors perform objective assessment and evaluation of their subordinates' KPI and the results are analysed and calibrated at company-wide level. It forms a basis for salary increment, promotion and discretionary bonus.

During the year, our high rated talents were rewarded with higher pay-rise and job promotion opportunities, as well as multiple of monthly salaries as bonus. Through this performance appraisal review, training and development needs of our talents can also be identified to enhance their professional development and competency.

## Work-life Balance

Our talents are critical to our overall success. As such we strive to ensure they are fulfilled and enjoyable both at work and in their personal lives. We believe by providing our talents with quality time with their friends and family, they would be more motivated to perform at work. For this reason, we continue to work out more work-life balance initiatives for our talents to improve workplace sustainability.

## Main Policies and Initiatives for Enhancing Work-Life Balance

Currently, we are employing a number of programmes and policies of paid leaves and no-pay leaves to cater for the needs of our talents so as to make our talents feel respected and valued. We understand our talents need moments to stay with their family and friends, and they may also have other personal reasons that need longer leaves. As such we offer our talents some family-care support leaves, such as marriage paid leave and festive paid leave, and flexible part-time work and sabbatical no-pay leaves. We also provide fully paid leaves to our talents when they need to attend examinations for professional certification courses or attend job related short courses. Upon the third year of employment, our managerial staff will be entitled 21 days paid annual leave and the general staff will be entitled 11–14 days, escalated from the statutory requirement of 7 days. We have tried our best to be flexible and accommodating for such events and unexpected situations such as typhoon, large scale traffic disruptions, perils of epidemic, etc. We allow our talents to work from home or leave office earlier if personal safety is a concern.

| Policies and Initiatives | | Particulars |
|---|---|---|
| Family-care support | Marriage leave | 2 days of paid leave upon the marriage |
| | Festive leave* | For 4–5 important festive occasions, such as the Mid-autumn Festival, Christmas Eve, the Winter Solstice and Chinese New Year Eve, etc., half-day paid leave is granted to all staff for celebration with family and friends |
| | Part-time work | Staff can flexibly apply to work part-time temporarily when there is any need |
| | Sabbatical leave | Staff can apply for no pay sabbatical leave for a period for justifiable personal reasons without affecting the employment |
| Other type of leaves | Exam leave | Fully paid leave on examination days |
| | Annual leave | Escalate from the statutory requirement of 7 days to our 21 days for managerial staff and 11–14 days for other staff starting from the third year |

* Applicable to HK office

## Develop our Talents

We believe in giving our talents the opportunity to acquire the knowledge and skills necessary for their jobs and future progress can help not only the personal and professional development of our talents but also the sustainability of our business. Our training and development are aimed at assisting our talents to maximize their full potential for contributions to the business. To cope with the training and development needs of our talents, we provide different training programs, including in-house training to enhance their job knowledge and skills, as well as external work-related trainings to upgrade their professional knowledge.

To encourage our talents to pursue continuing education and training, we have set up policy on subsidisation of external training and education courses taken by our talents. Usually upon satisfactory completion of the vocational or professional courses recognised and approved by us, our talents can get full reimbursement of the course fees.

During the Reporting Period, apart from the internal workshop and seminars, external trainings based on specific needs of the Company and the talent's career advancement are offered to our talents. The following is an illustration of some of the external training and development courses conducted in 2020:

**External Training and Development Courses**

| Type of Courses | Offering Organisation |
|---|---|
| • Technically Competent Training Course | IVE |
| • Construction Site Supervisor Course | Construction Industry Council |
| • ISO 9001:2015 | ISO |
| • ISO 9001:2015 Internal Auditor | ISO |
| • Metal Scaffold Erecting & Dismantling Supervision Training Course | HK Institute of Construction |
| • Construction Safety Supervisor Course | HK Institute of Construction |
| • Environmental Protection Course for Environmental Supervisor | HK Institute of Construction |
| • Curtain wall and Façade | Hong Kong Façade Association |
| • Professional Accountancy seminars | HKICPA |
| • Directors Training | Law Firm |
| • English course for general staffs | English institute |
| • PowerPoint training for general staffs | Computer learning institute |

## Workplace Health and Safety

It is our primary responsibility to assure the health, safety and welfare of our employees, as well as other persons who are likely to be affected by our operations, including the subcontractors and the public where appropriate. We are committed to establishing and maintaining a safe environment, systematic procedures, stringent supervision and sufficient training to each of our staff and hence to preventing accidents from time to time. To ensure safety in our construction sites, we establish safety control measures and in-house rules which are stated in our safety handbook "Safety Plan" for our staff and subcontractors to follow. A safety supervisor is assigned to each construction project to provide safety courses and safety instructions to workers and carry out site safety inspection. We also maintain an internal accident injury reporting policy and internal record of accidents. All accidents are required to be reported to the project management team immediately after the occurrence of the accident.

To maintain a safe and healthy working environment for our staff, we arrange regular safety inspection at our workplaces and regular review of the existing facilities to ensure safety of our staff. We have also set up policies and measures to maintain the quality of our working environment, such as the prohibition of indoor smoking, regular office cleaning and first aid kit at the office.

## Respond to COVID-19

In view of the outbreak of COVID-19, we have established COVID-19 contingency plan and guidelines for our staff to follow. The following are some key health and safety measures implemented to safeguard against the deadly and infectious virus in our workplaces.

1. Provide hand sanitizers at the common area of the workplaces;
2. Maintain environment hygiene within the workplaces;
3. Arrange split-team to work-from-home on alternate basis;
4. Require all staff to wear surgical masks in the office;
5. Arrange project staff to work in the construction sites as far as possible to avoid frequent contacts with staff in the office;
6. Avoid unnecessary daily staff contact at different floor offices;
7. Register information of visitors attending meetings in the office;
8. Require staff to inform the Company after attending meetings outside with third parties;
9. Relax the usage of private cars for business purpose instead of using public transport;
10. Recommend our staff stay at office for lunch to avoid crowds;
11. Require our staff and subcontractors to strictly follow the precautionary measures implemented in the construction sites.

## Compliance

Our staff and subcontractors are strictly required to comply with the following laws and regulations.

**Compliance with Health and Safety Laws and Regulations**

**In Hong Kong**

- Factories and Industrial Undertaking Ordinance
- Occupiers Liability Ordinance
- Occupational Safety and Health Ordinance
- Construction Sites (Safety) Regulation
- Construction Workers Registration Ordinance

**In the PRC**

- Prevention and Control of Occupational Diseases Law

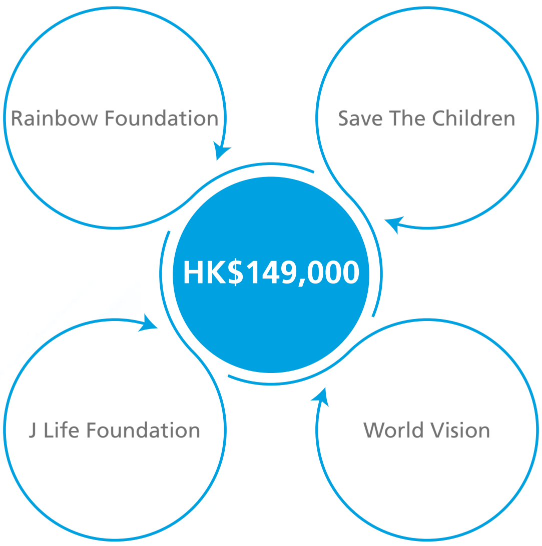
During the Reporting Period, we were not aware of any significant non-compliance with above laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

## COMMUNITY CARE

**Our project works are inseparable from the community, and we are committed to building a sustainable relationship with the community**

We recognise the importance of contributing and to the community where we operate. We care and invest on the community to make our business more sustainable. To give back to our community, we leverage on our resources to address the needs of our community. Our community investment will focus on helping the underprivileged.

In this year, we made monetary donations to several charity bodies which were dedicated to helping the underprivileged. One of our supporting charity organisations was Rainbow Foundation. Rainbow Foundation is a registered charity institution in Hong Kong since 2009. They integrate resources from corporations, schools, organizations, and individuals, while partnering with social welfare and charitable institutions to bring love and care to the underprivileged, and to improve social harmony in Hong Kong. The other was J Life Foundation ("**J Life**"). It is a privately funded non-profit organization that aims to empower at-risk children and families in underprivileged communities in Hong Kong. We continued to support a youth centre operated by J Life that organised mentorship program, regular tutoring classes and weekly caring groups to help the teenagers. We have also made donations to World Vision Hong Kong and Save The Children in order to benefiting other people in needs. The total amount of donations for the year was about HK$149,000.




The social distancing measures for the COVID-19 pandemic in 2020 has affected our involvement in most of the community volunteering. We will continue to invest in the community in the future. We hope our participation in the community not only can help our community grow healthier but also encourage our staff to increase their sense of community involvement and participation. We will further improve our community programs to make greater and better contribution to the community.

## PROTECTING OUR ENVIRONMENT

**We strive to reduce carbon footprint and make greener environment and deliver a better world**

### Environmental Management

Climate change, pollution and overexploitation of natural resources all pose a substantial threat to our community and the long-term sustainability of our natural systems. We are builders and we know very well that our business operations may have negative impact to the environment. Our objective of making a greener environment is achieved by reducing carbon footprint via controlling energy consumption in our operations and minimising waste through efforts to reduce, reuse and recycle.

We manage the environmental risks by integrating the environmental protection and conservation considerations into our strategic business planning, project tendering, project planning and project execution. We have set out responsibilities and authorities of all departments to ensure that all environmental risk control measures and procedures are properly implemented.

We are committed to comply with certain laws and regulations in relation to environmental protection in Hong Kong, as fundamental to our continual improvement of environmental performance. We require our staff and subcontractors in the construction sites to strictly comply with all environmental laws and regulations during the year:

- Air Pollution Control Ordinance
- Noise Control Ordinance
- Waste Disposal Ordinance
- Public Health and Municipal Services Ordinance

During the Reporting Period, we were not aware of any non-compliance with the above laws and regulations that had a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

## Emissions and Resources Management

### Carbon Reduction – Save Energy

The most energy we consumed in our daily operations is electricity, which is also accounted for our main source of greenhouse gas ("**GHG**") emission. To enhance the energy efficiency and reduce our carbon footprint, we have implemented various measures in 2020 for reducing energy usage. Some of the initiatives are summarised below:

- Monitored energy consumption on a monthly basis and investigate any significant difference;
- Use energy saving facilities or equipment – that certain LED lights were installed in our offices to replace the old fluorescent lamps;
- air conditioners were set at a proper temperature;
- computers were set to automatic standby or sleep mode.

The electricity consumption during 2020 were inevitably increased because of the pandemic despite our energy saving measures. Our Staff generally had more overtime works beyond normal office hour due to more project preparation and tendering works during 2020. Moreover, in light of the COVID-19 pandemic, our office was opened for longer hour so that our staff were able to split up their working time to avoid over-crowdedness in the office. Electricity usage for our offices had increased by 19% over the last year.

Our Gasoline consumption was increased by 5% over the last year. It was a difficult decision for us to choose between the health and safety of our people and the carbon reduction initiatives for the year 2020. During 2020, we have decided that the health and safety of our staff were the top priority. As such we offered our staffs to use the company cars to travel to the worksites and to our customers if they considered necessary, so as to minimise the chance of getting the COVID-19 infection from taking the crowdy public transportation.

As our business was expanding, we had employed more staff in 2020 as compared with the last year. The Energy Consumption Intensity of kWh per staff increased 12% for 2020, despite the absolute amount of energy consumed was 16% higher than last year.

| Key Performance Indicators – Energy Consumption | Direct Energy Consumption Gasoline (litre) | Direct Energy Consumption Gasoline (kWh) | Indirect Energy Consumption Electricity (kWh) | Total Energy Consumed (kWh) | Energy Consumption Intensity* (kWh/staff) |
|---|---|---|---|---|---|
| **2020** | **4,221** | **40,908** | **173,684** | **214,592** | **2,125** |
| 2019 | 4,010 | 38,869 | 145,658 | 184,527 | 1,893 |
| **Change** | **+5%** | **+5%** | **+19%** | **+16%** | **+12%** |

* In terms of average number of staff during the year

## Air Emissions and Greenhouse Gas ("GHG") Emissions Management

The total gasoline consumption for 2020 had increased by 5% over the last year. As a result, the air emission of sulphur oxides ("**$SO_X$**") increased proportionately by 5.3%. The mileage incurred by our vehicles has also increased and as the result, the nitrogen oxides ("**$NO_X$**") and particulate matter ("**PM**") increased by 5% as compared to last year. Gasoline consumption is also directly related to GHG emissions, and as a result, the GHG emissions increased 5.6% over last year.

Electricity consumption is indirectly related to GHG emissions. Our staff are all aware of saving electricity by turning off lights, air-conditioning and other electric equipment and appliances when they are not needed. In 2020, our electricity consumption had increased by 19%. Our GHG emission related to electricity consumption increased in line by 10.2%.

Despite the GHG emissions from gasoline and electricity consumption had increased 5.6% and 10.2% respectively in 2020, our total GHG emissions only increased by 3.2% and the GHG intensity per staff even reduced by 0.4%. This was the result of our continuous effort on replacing use of paper by electronic document and this was made possible by implementation of the new ERP system in our office. In addition, there was much less air travels in 2020 due to the COVID-19 pandemic.

It's our practice to collect wastepaper for recycling so as to reduce carbon footprint. On the other hand, in order to maintain fuel efficiency and to reduce pollutant emissions, our vehicles are required to undertake regular maintenance. To avoid waste of energy, we control the fuel usage by monitoring the usage of vehicles although we have encouraged more usage of vehicles to avoid public transportations during the pandemic threat.

| **Key Performance Indicators – Air Emissions **** | **$NO_X$** (kg) | **$SO_X$** (kg) | **PM** (kg) |
|---|---|---|---|
| **2020** | **3.39** | **0.0621** | **0.250** |
| 2019 | 3.23 | 0.0590 | 0.238 |
| **Change** | **+5%** | **+5.3%** | **+5%** |

| **Key Performance Indicators – GHG Emissions **** | **Direct From Gasoline** (tonnes $CO_{2-e}$) | **Indirect From Electricity** (tonnes $CO_{2-e}$) | **Indirect From Paper/ Air Travel** (tonnes $CO_{2-e}$) | **GHG Total** (tonnes $CO_{2-e}$) | **GHG Intensity*** (tonnes $CO_{2-e}$/staff) |
|---|---|---|---|---|---|
| **2020** | **11.4** | **82.9** | **13.9** | **108.2** | **1.071** |
| 2019 | 10.8 | 75.2 | 18.8 | 104.8 | 1.075 |
| **Change** | **+5.6%** | **+10.2%** | **-26%** | **+3.2%** | **-0.4%** |

* In terms of average number of staff during the year

** The emissions factors for the calculation of air emissions and GHG emissions are obtained from the CLP sustainability report 2020, Hong Kong Electric Investments sustainability report 2019, and Hong Kong Stock Exchange Reporting Guidance on Environmental KPIs

## Reduce Waste

Our construction projects are carried out by our subcontractors, as such we do not directly generate hazardous waste. In construction sites, we would collect useful residual materials for reuse in other projects. For special residual materials and equipment that cannot be reused, they would be sold to others or would be disposed for recycling. Other construction waste generated is collected by our subcontractors and disposed at the designated places as required by the main contractors.

The general non-hazardous wastes produced by us are mainly wastepaper, office supplies and general garbage in the office. The waste is collected by the property management company of our offices and disposed at landfills. We continue to uphold our strategy of reduce, reuse and recycle. In 2020, we continue to enhance the paperless electronic flow systems in our ERP system. Moreover, double-sided printing is recommended, and single-side printed paper is reused for draft printing. Paper waste is collected for recycle purpose. We also reduce purchasing the single-use disposable items, such as paper cups. Our initiatives have resulted in a decrease of 16% on non-hazardous waste.

| **Key Performance Indicators – Non-Hazardous Waste** | **Non-Hazardous Waste** (tonnes) | **Non-Hazardous Waste Intensity*** (tonnes/staff) |
|---|---|---|
| **2020** | **3.2** | **0.031** |
| 2019 | 3.8 | 0.039 |
| **Change** | **-16%** | **-20%** |

* In terms of average number of staff during the year

## Water Management

We do not have control over the source and consumption of water in construction sites as water is supplied by the main contractors and consumed by our subcontractor. We have not encountered any issue on sourcing appropriate amount and type of water for our projects.

In our offices, we do not consume significant amount of water. Our water usage arises from drinking water and office cleaning. Water is supplied by municipal water supply, and we do not have any issues on sourcing water. It is not feasible for us to measure water consumption in our offices as water is supplied by the property management company where our offices locate. However, we still promote the awareness of our staff on saving water and reduce unnecessary wastage of water.

## The Environment and Natural Resources

We realise the importance of maintaining environmental sustainability in our daily operations and strive to minimise the negative impact on the environment and natural resources. We engage subcontractors to carry out construction works in the construction sites, our operations do not have significant direct impact to the environment. In the construction sites, we recognise that construction works may have significant impacts on our environment. We pay close attention to the works carried out by our subcontractors to ensure that they strictly comply with all environmental protection laws and regulations for protecting the environment and natural resources. Although our operations in the offices do not cause significant impacts on the environment and natural resources, our staff are well aware of reduction, reuse and recycling of waste and save energy to conserve our environment.

Our project manager ensures appropriate measures have been adopted by our subcontractors during the construction process to reduce the adverse impact to the environment, such as:

- Equipment is used in compliance with the permitted noise level and is maintained in good condition.
- Carry out construction works within the permitted work hours and.
- Use noise barrier where necessary in operating noisy equipment.
- Segregate general wastes and construction wastes and dispose to rubbish collection points designated by the main contractors.

## Use of Packing Materials

Due to our business nature, packing materials are normally not required. We do not cause significant impact on the environment from usage of packing materials.

## RESPONSIBLE GOVERNANCE

### Responsible to Customers and Public

We are committed to provide
**RELIABLE, SAFE and QUALITY**
products to our customers that will
last for decades and for the public to enjoy.

#### Commitment to Customers

We put our customers at the priority and realise that the success of our customers is our success. To be a reliable and responsible company, we strive to provide our customers with reliable, safe and quality products. We provide services ranging from structural calculation and shop drawings, sourcing and procurement of materials, arrangement for material fabrication and processing, installation works and post-completion repair and maintenance services.

On tendering and delivery of the projects to our customers, our people must abide by a few commitments set by the Company as follows:

- Customers' satisfaction on safety, quality and durability is the priority.
- Provide safe and reliable products and services that comply with international recognised quality standards and legal requirements.
- Provide innovative products to support our customers.
- Minimum impact to the public and the environment when we deliver the projects to our customers.

#### Product Safety

Safety is at the top of the table among our quality assurance measures. This is utmost important as people would be in danger if our façade and curtain wall construction work was defective. We have to ensure the safety of our workers when the projects are in progress, and the safety of the public when the projects are in progress as well as after finish. When our engineers design the projects, safety features will be incorporated as a top consideration. Detail proposals with structural calculation, shop drawings, fabrication techniques and installation methods have to be approved by our qualified project architects.

It is the job and responsibility of our staff to uphold the following safety policies on provision of products and services:

- Comply with international quality standards, such as ISO9001:2015 and legal requirements.
- Mitigate any injury that might occur to the people using our products when an accident occurs.
- Design the product to assure that it is not harmful to the public using the product.
- Uphold the Company's risk management system to continuously identify, assess, report and improve safety issues.

### Quality and Reliability

Our business is operating under a set of procedures that complies with the ISO 9001:2015 quality standard to monitor our work processes for meeting customers' needs and to fulfil regulatory requirements. We are committed to provide quality and reliable construction works and sustainable solutions to our customers. In such way the people in the public can rest assure to use our products for years and decades that can improve their quality of life.

For each project, a project management team, leading by a project manager, is set up to oversee and manage the project. The project manager is responsible for communicating with customers, subcontractors and internal departments, supervising the work progress and the overall quality assurance of the project.

At the project planning stage, our qualified design engineers are responsible for system design and structural calculation to assess the feasibility of the design and installation works. The system design and structural calculation is submitted to customers and the Buildings Department for approval. Curtain walls must meet the specific requirements as set out in the Building (Construction) Regulations and are required to undergo a series of tests by independent laboratories to confirm the performance meets the stringent safety standard as required by the Buildings Department.

After completion of projects, G&M provides a defects liability period to our customers subject to terms set out in the contracts and also provides a warranty on certain aspects such as glazing and waterproofing works. Since G&M involves in every stage of design and build, we can effectively monitor the progress of the project and minimise the possibility of having significant deviation from the original design.

During the Reporting Period, we were not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to product responsibility.

## Responsible Sourcing

We understand that we are responsible for delivering quality of works to our customers, as such managing our suppliers and subcontractors is crucial to our sustainable operations. We address supply chain challenges through risk management, responsible sourcing, and close monitoring the suppliers and subcontractors. We procure a large amount of materials and rely on our subcontractors to get the works done. When problems in quality of material or workmanship occur, they affect the safety of people nearby after the facilities are open for public use.

### Our Management Approach

We source materials such as aluminium, metal and glass, and engage subcontractors for installation works. Our procurement activities follow a set of fair and transparent quotation invitation process that conflicting of interest has to be declared, and also bribery and misconducts are strictly prohibited. We select suppliers not only based on the product quality, technical capability and track records etc., but also on their social responsibilities. We have priority to source from those suppliers and to cooperate with those business partners who can demonstrate that they are environmentally and socially responsible, and they have complied with all laws and regulations in relation to environmental, safety and health and employment at their locations.

We carefully evaluate the subcontractors' company background, job references, scope of work, warranty and system information, and to require all subcontractors to follow the laws and regulations in relation to occupational health and safety, environmental and employment at the construction sites.

We continue to develop and update sustainability policies and guidelines, to share best practices with the suppliers, and to monitor the quality of the suppliers.

## Aligning Suppliers and Customers with our Sustainable Value

We are committed to sustainability. To fulfil this commitment, we actively work with suppliers and subcontractors who favour and operate on the principles of sustainable development. Many of our supply chain policies and product quality and responsibility policies are developed and implemented in close collaboration with our customers and business partners. Through regular and intensive communication and long-term cooperation, the sustainable values of our Group and our business partners are continuously aligned with our customers.

## Anti-Corruption

Upholding the principle of integrity and fairness can create a clean and fair business environment and set a solid foundation for our sustainable business development. We do not tolerate bribery, kickbacks, or corrupt acts of any kind or in any circumstances from our staff or our agents. The management, our staff and agents are required to strictly comply with the Prevention of Bribery Ordinance, which is clearly stated in the Code of Conduct of the Group.

Our staff are required to disclose any situations that reasonably would be expected to give rise to a conflict of interest. We have established policies for the proper handling and reporting of conflict of interests encountered by staff. Guidelines about giving and receiving gifts and advantages among our business partners are set out in the Code of Conduct to ensure all staff adhere to the company policy.

There is the whistleblowing policy in place to provide channels and guidance to our staff on reporting any misconduct, malpractice or irregularity within the Group, in secured and confidential manner. All cases reported will be kept confidential and will be investigated thoroughly. The investigation reports will be sent to the Chairman and the Audit Committee where necessary. Appropriate corrective or disciplinary actions will be taken when a misconduct case is proven.

During the Reporting Period, there were no reported legal cases regarding corrupt practices brought against the Group or our staff.

## THE STOCK EXCHANGE ESG REPORTING GUIDE CHECKLIST

| ASPECTS | DESCRIPTION | PAGE REF |
|---|---|---|
| **A. Environmental** | | |
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 40–41 |
| KPI A1.1 | The types of emissions and respective emissions data. | 41 |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility). | 41 |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility). | Not applicable for disclosure |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility). | 42 |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | 40–41 |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | 42 |
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | 39–40 |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g., per unit of production volume, per facility). | 40 |
| KPI A2.2 | Water consumption in total and intensity (e.g., per unit of production volume, per facility). | Not applicable for disclosure |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | 39–40 |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | 42 |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Not applicable for disclosure |
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimising the issuer’s significant impact on the environment and natural resources. | 43 |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 43 |

| ASPECTS | DESCRIPTION | PAGE REF |
|---|---|---|
| **B. Social** | | |
| **Employment and Labour Practices** | | |
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 32–35 |
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | 36–37 |
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 35–36 |
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | 32–33 |

| ASPECTS | DESCRIPTION | PAGE REF |
|---|---|---|
| **Operating Practices** | | |
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | 45-46 |
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 44–45 |
| **Aspect B7: Anti-corruption** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 46 |
| **Community** | | |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests. | 38 |

# 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 55 to 119 which comprise the consolidated statement of financial position as at 31 December 2020, 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 a summary of significant accounting policies.

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 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards 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**"), and we have 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.

### Recognition of contract revenue and contract assets and contract liabilities

*Refer to notes 4(i), 4(j), 5(i), 5(ii), 7 and 17 to the consolidated financial statements*

For the year ended 31 December 2020, the Group recognised revenue from one-stop design and build solutions amounting to HK$243,399,000 and, as at 31 December 2020, the Group recorded contract assets and contract liabilities of HK$90,628,000 and HK$50,571,000 respectively. Revenue from construction works is recognised by applying input method, which is measured by reference to the contract costs incurred to date as a proportion to the total estimated contract costs, whereas contract assets and contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profits which is also dependent on estimation of contract costs. As disclosed in notes 5(i) and 5(ii) to the consolidated financial statements, the estimation of contract costs for an individual contract, which mainly comprise subcontracting fees, materials and processing charges and project staff costs, is based on quotations provided by subcontractors/suppliers/vendors as well as from the experience of the directors, which is revised regularly as the contract progresses.

We identified recognition of contract revenue, contract assets and contract liabilities for construction contracts as key audit matter because the estimate of contract costs involve the use of significant management judgment and involves estimation uncertainty.

Our audit procedures in relation to the recognition of contract revenue and 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 budgeted costs to respective construction budgets, on a sample basis.

- Evaluating reasonableness of contract budgets through discussion with management about preparation of those budgets.

- 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.

- Checking the calculations of input method for the completion of individual contract and the amounts of contract revenue and gross profit recognised.

## 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 Hong Kong Financial Reporting Standards 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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, 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.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

## 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*

Leung Tze Wai
Practising Certificate Number: P06158

Hong Kong, 31 March 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | *Notes* | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|---|
| **Revenue** | *7* | **243,399** | 299,756 |
| Cost of revenue | | **(180,229)** | (230,304) |
| Gross profit | | **63,170** | 69,452 |
| Other income, gains and losses | *8* | **4,183** | 570 |
| Administrative and other operating expenses | | **(39,283)** | (38,402) |
| Finance costs | *9* | **(400)** | (387) |
| **Profit before income tax** | *10* | **27,670** | 31,233 |
| Income tax expense | *11* | **(4,371)** | (4,867) |
| **Profit for the year** | | **23,299** | 26,366 |
| **Other comprehensive income for the year** | | | |
| *Item that may be subsequently reclassified to profit or loss:* | | | |
| Exchange difference arising from translation of foreign operation | | **(5)** | (10) |
| **Total comprehensive income for the year** | | **23,294** | 26,356 |
| **Profit for the year attributable to owners of the Company** | | **23,299** | 26,366 |
| **Total comprehensive income for the year attributable to owners of the Company** | | **23,294** | 26,356 |
| | | **HK cents** | HK cents |
| **Earnings per share** | | | |
| – Basic | *14* | **2.3** | 2.6 |
| – Diluted | *14* | **2.3** | 2.6 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *15* | **2,321** | 2,211 |
| Deposits and prepayment | *18* | **3,109** | – |
| Right-of-use assets | *28* | **13,956** | 3,489 |
| | | **19,386** | 5,700 |
| **Current assets** | | | |
| Inventories | *16* | **1,328** | 805 |
| Contract assets | *17* | **90,628** | 74,661 |
| Trade and other receivables | *18* | **83,440** | 77,314 |
| Pledged bank deposits | *19* | **5,000** | 5,000 |
| Cash and bank balances | *20* | **149,157** | 128,467 |
| | | **329,553** | 286,247 |
| **Current liabilities** | | | |
| Contract liabilities | *17* | **50,571** | 3,357 |
| Trade and other payables | *21* | **46,297** | 55,576 |
| Tax payable | | **57** | 878 |
| Bank borrowings | *22* | **1,127** | 1,000 |
| Lease liabilities | *28* | **2,886** | 2,377 |
| | | **100,938** | 63,188 |
| **Net current assets** | | **228,615** | 223,059 |
| **Total assets less current liabilities** | | **248,001** | 228,759 |
| **Non-current liabilities** | | | |
| Lease liabilities | *28* | **11,128** | 1,180 |
| **Net assets** | | **236,873** | 227,579 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *23* | **10,000** | 10,000 |
| Reserves | *26* | **226,873** | 217,579 |
| **Total equity** | | **236,873** | 227,579 |

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 2020

| | Equity attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital *(note 23)* HK$'000 | Share premium* *(note 26)* HK$'000 | Merger reserve* *(note 26)* HK$'000 | Translation reserve* HK$'000 | Share-based payments reserve* *(note 26)* HK$'000 | Retained profits* HK$'000 | Total equity HK$'000 |
| **Balance as at 1 January 2020** | **10,000** | **82,848** | **(4,592)** | **(42)** | **238** | **139,127** | **227,579** |
| Profit for the year | – | – | – | – | – | **23,299** | **23,299** |
| **Other comprehensive income for the year:** | | | | | | | |
| Exchange difference arising from translation of foreign operation | – | – | – | **(5)** | – | – | **(5)** |
| | – | – | – | | | | |
| **Total comprehensive income for the year** | – | – | – | **(5)** | – | **23,299** | **23,294** |
| Dividend paid *(note 13)* | – | – | – | – | – | **(14,000)** | **(14,000)** |
| Lapse of share option | – | – | – | – | **(238)** | **238** | – |
| **Balance at 31 December 2020** | **10,000** | **82,848** | **(4,592)** | **(47)** | – | **148,664** | **236,873** |

* The reserves of HK$226,873,000 (2019: HK$217,579,000) in the consolidated statement of financial position were comprised of these reserve accounts.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2020**

| | Equity attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital *(note 23)* HK$'000 | Share premium* *(note 26)* HK$'000 | Merger reserve* *(note 26)* HK$'000 | Translation reserve* HK$'000 | Share-based payments reserve* *(note 26)* HK$'000 | Retained profits* HK$'000 | Total equity HK$'000 |
| **As at 1 January 2019** | 10,000 | 82,848 | (4,592) | (32) | 200 | 130,595 | 219,019 |
| Profit for the year | – | – | – | – | – | 26,366 | 26,366 |
| **Other comprehensive income for the year:** | | | | | | | |
| Exchange difference arising from translation of foreign operation | – | – | – | (10) | – | – | (10) |
| **Total comprehensive income for the year** | – | – | – | (10) | – | 26,366 | 26,356 |
| Dividend paid | | | | | | (18,000) | (18,000) |
| Lapse of share option | – | – | – | – | (166) | 166 | – |
| Equity settled share-based transaction *(note 24)* | – | – | – | – | 204 | – | 204 |
| Balance at 31 December 2019 | 10,000 | 82,848 | (4,592) | (42) | 238 | 139,127 | 227,579 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income tax | **27,670** | 31,233 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **1,136** | 1,475 |
| Depreciation of right-of-use assets | **2,779** | 2,526 |
| Bank interest income | **(50)** | (56) |
| Equity settled share-based payments | **–** | 204 |
| Gain on lease modification | **(22)** | – |
| Interest expenses | **400** | 387 |
| Loss on disposal of property, plant and equipment | **–** | 297 |
| Provision/(reversal of provision) for expected credit losses allowance for contract assets | **182** | (643) |
| Reversal of expected credit losses allowance for retention receivables | **(342)** | (42) |
| Reversal of expected credit losses allowance for trade receivables | **(3)** | (116) |
| Operating profit before working capital changes | **31,750** | 35,265 |
| (Increase)/decrease in inventories | **(523)** | 181 |
| (Increase)/decrease in contract assets | **(16,149)** | 13,873 |
| (Increase)/decrease in trade and other receivables | **(7,323)** | 27,381 |
| Decrease in trade and other payables | **(9,343)** | (3,586) |
| Increase/(decrease) in contract liabilities | **47,214** | (12,796) |
| **Cash generated from operations** | **45,626** | 60,318 |
| Income tax paid | **(5,192)** | (33) |
| **Net cash generated from operating activities** | **40,434** | 60,285 |
| **Cash flows from investing activities** | | |
| Interest received | **50** | 56 |
| Acquisition of property, plant and equipment | **(1,210)** | (984) |
| Prepayment for acquisition of property, plant and equipment | **(1,764)** | – |
| Sales proceeds from disposal of property, plant and equipment | **–** | 500 |
| **Net cash used in investing activities** | **(2,924)** | (428) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Cash flows from financing activities** | | |
| Proceeds from bank borrowings *(note 31)* | **1,127** | 11,000 |
| Interest paid on bank borrowings *(note 31)* | **(238)** | (213) |
| Repayment of bank borrowings *(note 31)* | **(1,000)** | (18,233) |
| Repayment of principal portion of the lease liabilities *(note 31)* | **(2,548)** | (2,458) |
| Interest paid on lease liabilities *(note 31)* | **(162)** | (174) |
| Dividends paid | **(14,000)** | (18,000) |
| **Net cash used in financing activities** | **(16,821)** | (28,078) |
| **Increase in cash and cash equivalents** | **20,689** | 31,779 |
| **Effect of exchange rate changes on cash and cash equivalents** | **1** | 68 |
| **Cash and cash equivalents at the beginning of year** | **128,467** | 96,620 |
| **Cash and cash equivalents at the end of year** | **149,157** | 128,467 |

# 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. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 June 2017. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business was located at Units 1709–14, 17th Floor, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong and has subsequently been changed to 11/F., Magnet Place Tower 1, 77–81 Container Port Road, Kwai Chung, New Territories, Hong Kong since 8 February 2021.

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 2020 were approved and authorised for issue by the directors on 31 March 2021.

## 2. BASIS OF PRESENTATION

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

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

The consolidated financial statements are presented in HK$, which is the same as the functional currency of the Group.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. ADOPTION OF HKFRSs

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

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, which are effective from current year, have been adopted by the Group.

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

The adoption of these new/revised HKFRSs did not have any significant impact on the Group's consolidated financial statements.

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

The following new/revised HKFRSs have been issued, potentially relevant to the Group's financial statement, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current[5] |
| Amendments to HKAS 16 | Proceeds before Intended Use[3] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[3] |
| Amendments to HKAS 39, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[2] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[4] |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions[1] |
| Amendments to HK Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5] |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 9 – Financial Instruments and Amendments to HKFRS 16[3] |

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023

## 3. ADOPTION OF HKFRSs (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### Amendments to HKAS 1 and HK Interpretation 5 (2020)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have a material impact on the Group's consolidated financial statements.

#### Amendments to HKAS 37

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

#### Amendments to HKFRS 16

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

## 3. ADOPTION OF HKFRSs (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### Amendments to HKFRS 16 (Continued)

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

Except for those mentioned above, the new/revised HKFRSs that have been issued but not yet effective are unlikely to have material impact on the Group's consolidated results and consolidated financial position upon application.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and 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. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Business combination and basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Company on the basis of dividends received and receivable.

### (c) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Property, plant and equipment (Continued)

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 |

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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.

### (d) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Leasing

#### The Group as lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. 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 less than 12 months. 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 should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account 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 at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

#### Lease liability

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 Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

## 4. SUMMARY OF SIGNIFICANT 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 an item not measured at fair value through profit or loss ("**FVTPL**"), 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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments measured at:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVTOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (i) Financial assets (Continued)

*Equity instruments*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

#### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("**ECLs**") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (i) 12 months ECLs: these are the 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 has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (ii) Impairment loss on financial assets (Continued)

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 considers a financial asset to be credit-impaired when: (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities measured at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

*Financial liabilities measured at amortised cost*

Financial liabilities measured at amortised cost, including trade and other payables and bank borrowings, 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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial instruments (Continued)

#### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

### (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.

### (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 an insignificant risk of changes in value.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Revenue recognition and other income

Income is classified by the Group as revenue when it arises from rendering design and build services and repair and maintenance services to the customers in the ordinary course of the Group's business.

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liabilities under the effective interest method. The Group takes advantage of the practical expedient in HKFRS 15 *Revenue from Contracts with Customers* and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

#### (i) Contracts of design and build project

There are significant integration of different elements underlying a contract of design and build project and thus such contract is considered to contain only one performance obligation. In addition, the revenue from these contracts are recognised over time with input method which is measured by reference to the contract costs incurred to date as a proportion to the total estimated contract costs while the contract costs and the contract progress are highly correlated for design and build projects. Invoices are issued according to contractual terms and are usually payable within 60 days. Uninvoiced amounts are presented as contract assets (note 4(j)).

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Revenue recognition and other income (Continued)

#### (i) Contracts of design and build project (Continued)

When the outcome of a performance obligation in the contract of design and build project 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 toward complete satisfaction of the performance obligation of a contract of design and build project is determined by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of a performance obligation in the contract of design and build project cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Contract modification (i.e. variation order) are recognised when they are approved by customer. Generally modification to a contract of design and build project 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 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 and other claims, 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 to the construction contracts, the Group accounts for the warranty in accordance with HKAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"* unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

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(q).

#### (ii) Repair and maintenance services

The contract of repair and maintenance services are considered to contain only one performance obligation and the revenue from these contracts are recognised over time. The performance obligation of the contract is satisfied when the repair and maintenance services are rendered.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Revenue recognition and other income (Continued)

#### (iii) Other income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Interest income is recognised on a time proportion basis by reference to the principal outstanding and using the effective interest method.

### (j) Construction contracts

#### Contract assets and liabilities

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. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Contract asset is recognised when the Group completes the design and build 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. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference.

#### Contract costs

The Group recognises an asset from 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 entity can specifically identify;

(b) the costs generate or enhance resources of the entity 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

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.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, 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 expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiary, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

### (l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Foreign currency (Continued)

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 (attributed to minority interests as appropriate). 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.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

### (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 maternity leave are not recognised until the time of leave.

#### (ii) Defined contribution retirement plan

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. Contributions are made based on a percentage of the employees' relevant income. Contributions are recognised as an expense in profit or loss when the services are rendered by the employees.

The employees of a subsidiary of the Company which operate in the The People's Republic of China (the "**PRC**") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. 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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Employee benefits (Continued)

#### (iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

### (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 option 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.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

### (o) Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries is subject to impairment testing. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which required a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investment of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (q) 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 reasonably estimated.

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.

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. 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.

### (r) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

### (s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependants of that person or that person's spouse or domestic partner.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgments, 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 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.

### 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) Construction contracts

Construction contract revenue is recognised according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract cost. 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 and 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 project staff costs, are supported by contract budget which was prepared by the directors of the Company. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue 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. Recognition of variations and claims also requires estimation and judgment by the management. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual 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 consolidated financial statements.

#### (ii) Estimation of total budgeted costs and cost to completion for construction contracts

Total budgeted costs for construction contracts comprise (i) materials and processing charges and project staff costs; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (iii) recent offers agreed with sub-contractors and suppliers; and (iv) professional estimation on materials and processing charges, project staff costs and other costs estimated by the directors.

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

### Key sources of estimation uncertainty (Continued)

#### (iii) Warranty provision

The Group provides assurance-type warranty to customers for a period up to 15 years for the contracts completed by the Group. The Group undertakes to rectify the defects within the warranty period. The warranty provision has been recognised for expected costs to rectify the defects based on past experience of warranty claims by customers. Management will review the sufficiency of provision and make adjustments, if appropriate, at the end of each reporting period.

#### (iv) Provision of ECLs for trade receivables and contract assets

The provision of ECLs allowance for trade receivables and contract assets requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining ECLs allowance and the assessment of a significant increase in credit risk. 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 assesses whether there has been a significant increase in credit risk on the trade receivables and contract assets since initial recognition by comparing the risk of default occurring over the expected life. 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, based on the Group's historical experience and informed credit assessment and including forward-looking information, i.e. the further development of COVID-19 pandemic.

#### (v) Estimating the incremental borrowing rate for lease liabilities

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 6. SEGMENT INFORMATION

### (a) Operating segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker, i.e. directors of the Company, who are used to make strategic decisions.

During the year, the directors assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily 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. Therefore, the Group has only one operating segment that qualifies as reporting segment under HKFRS 8 "*Operating segments*". The Group operates in Hong Kong and the PRC. All of the Group's revenue are derived from Hong Kong, and approximately 92% (2019: 88%) of the Group's non-current assets are located in Hong Kong. Accordingly, no separate segmental analysis is presented.

### (b) Information about major customers

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer I | **119,106** | 168,717 |
| Customer II | **64,614** | N/A* |
| Customer III | **50,366** | N/A* |
| Customer IV | **N/A*** | 68,568 |

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

## 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 principal activity comprises the following:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Revenue from contracts with customers and recognised over time:** | | |
| Design and build projects | | |
| – Podium facade and related works | **159,406** | 142,634 |
| – Curtain wall works | **73,449** | 142,621 |
| | **232,855** | 285,255 |
| Repair and maintenance services | **10,544** | 14,501 |
| | **243,399** | 299,756 |

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Design and build projects | | |
| – Podium facade and related works | **794,535** | 333,732 |
| – Curtain wall works | **8,557** | 83,314 |
| – Repair and maintenance services | **20,079** | – |
| | **823,171** | 417,046 |

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

## 8. OTHER INCOME, GAINS AND LOSSES

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Bank interest income | **50** | 56 |
| Loss on disposal of property, plant and equipment | **–** | (297) |
| Reversal of ECLs allowance | **163** | 801 |
| Government grants *(note)* | **3,922** | – |
| Others | **48** | 10 |
| | **4,183** | 570 |

*Note:*

Government grants included subsidy of HK$3,567,000 (2019: nil) obtained from the Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time.

The remaining amount of HK$355,000 (2019: nil) represented training grants obtained from the Construction Innovation and Technology Fund ("**CITC**") under Construction Industry Council. Under the CITC, the Group should commit to spend these grants on Building Information Modeling ("**BIM**") training and BIM Software with specific vendors. The Group does not have other unfulfilled obligations relating to these programs.

## 9. FINANCE COSTS

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Interest on bank borrowings | **238** | 213 |
| Interest on lease liabilities | **162** | 174 |
| | **400** | 387 |

## 10. PROFIT BEFORE INCOME TAX

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

| | **2020** **HK$'000** | 2019 HK$'000 |
|---|---|---|
| Auditor's remuneration | **630** | 670 |
| Cost of inventories recognised as expenses# *(note 16)* | **64,986** | 80,236 |
| Depreciation in respect of: | | |
| property, plant and equipment* | **1,136** | 1,475 |
| right-of-use assets* | | |
| – Properties and machinery leased for own use | **2,779** | 2,526 |
| Employee benefit expenses, including directors' emoluments *(note 12(a))* | | |
| – Salaries, allowances and other benefits | **56,447** | 50,449 |
| – Contributions to defined contribution retirement plan | **1,184** | 1,072 |
| – Equity settled share-based payments *(note 24)* | **–** | 204 |
| | **57,631** | 51,725 |
| Exchange losses, net | **4** | 91 |
| Gain on lease modification | **(22)** | – |
| Loss on disposal of property, plant and equipment | **–** | 297 |
| Provision/(reversal) of ECLs allowance for contract assets | **182** | (643) |
| Reversal of ECLs allowance for retention receivables | **(342)** | (42) |
| Reversal of ECLs allowance for trade receivables | **(3)** | (116) |
| Short-term leases expenses | **1,426** | 2,133 |
| Warranty expenses# | **3** | 100 |

\# Included in cost of revenue

* Included in administrative and other operating expenses

## 11. INCOME TAX EXPENSE

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

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Hong Kong Profits Tax | | |
| – current tax for the year | **4,224** | 5,283 |
| – Under/(over)-provision in respect of prior years | **143** | (449) |
| PRC Enterprise Income tax | | |
| – current tax for the year | **4** | 33 |
| Income tax expense | **4,371** | 4,867 |

The Group is subject to Hong Kong Profits Tax under the two-tiered profits tax rates regime. For the years ended 31 December 2020 and 2019, the first HK$2 million of assessable profits of a qualifying corporation in the Group will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% on their estimated assessable profit.

For the years ended 31 December 2020 and 2019, the Group's PRC subsidiary was eligible to be classified as small enterprise by the local bureau and the corresponding assessable profits are taxed at progressive rate. The first RMB1,000,000 assessable profit is taxed at 5% and assessable profit above RMB1,000,000 but less than RMB3,000,000 is taxed at 10%.

## 11. INCOME TAX EXPENSE (Continued)

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Profit before income tax | **27,670** | 31,233 |
| Tax calculated at Hong Kong profits tax rate of 16.5% (2019:16.5%) | **4,567** | 5,153 |
| Tax effect of profit at concessionary rate | **(165)** | (165) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **40** | (26) |
| Tax effect of revenue not taxable for tax purposes | **(597)** | (101) |
| Tax effect of expenses not deductible for tax purposes | **435** | 363 |
| Tax effect of temporary differences not recognised | **(52)** | 92 |
| Under/(over)-provision in respect of prior years | **143** | (449) |
| Income tax expense | **4,371** | 4,867 |

No deferred tax has been provided in the consolidated statements of comprehensive income as no material temporary differences as at 31 December 2020 and 2019.

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. For the Group, the applicable tax rate is 5%. The Group is therefore liable for withholding taxes on dividend distributed by the subsidiary in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2020, no deferred tax (2019: nil) has been recognised for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiary established in the PRC that are subject to withholding taxes, which amounted to Renminbi ("**RMB**") 912,400 (2019: RMB727,634). In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future.

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

### (a) Directors' emoluments

Directors' emoluments are disclosed as follows:

| | Fees<br>HK$'000 | Salaries, allowances and other benefits<br>HK$'000 | Discretionary bonuses *(Note i)*<br>HK$'000 | Pension scheme contribution<br>HK$'000 | Equity settled share-based payment *(Note ii)*<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | | |
| ***Executive directors*** | | | | | | |
| Mr. Lee Chi Hung *(Chairman and Chief Executive Officer)* | **–** | **2,945** | **788** | **18** | **–** | **3,751** |
| Mr. Chan Wai Yin (resigned on 1 January 2021) | **–** | **1,230** | **287** | **18** | **–** | **1,535** |
| Ms. Lam Suk Yee (appointed on 18 June 2020) | **–** | **244** | **–** | **10** | **–** | **254** |
| ***Non-executive director*** | | | | | | |
| Mr. Leung Ping Kwan | **–** | **780** | **–** | **–** | **–** | **780** |
| ***Independent non-executive directors*** | | | | | | |
| Professor Wong Roderick Sue Cheun | **240** | **–** | **–** | **–** | **–** | **240** |
| Mr. Tai Kwok Leung, Alexander | **240** | **–** | **–** | **–** | **–** | **240** |
| Mr. Kwan Cheuk Kui | **240** | **–** | **–** | **–** | **–** | **240** |
| | **720** | **5,199** | **1,075** | **46** | **–** | **7,040** |
| Year ended 31 December 2019 | | | | | | |
| ***Executive directors*** | | | | | | |
| Mr. Lee Chi Hung *(Chairman and Chief Executive Officer)* | – | 2,676 | 843 | 18 | – | 3,537 |
| Mr. Chan Wai Yin | – | 1,196 | 305 | 18 | 112 | 1,631 |
| ***Non-executive director*** | | | | | | |
| Mr. Leung Ping Kwan | – | 780 | – | – | – | 780 |
| ***Independent non-executive directors*** | | | | | | |
| Professor Wong Roderick Sue Cheun | 240 | – | – | – | – | 240 |
| Mr. Tai Kwok Leung, Alexander | 240 | – | – | – | – | 240 |
| Mr. Kwan Cheuk Kui | 240 | – | – | – | – | 240 |
| | 720 | 4,652 | 1,148 | 36 | 112 | 6,668 |

*Notes:*

(i) The discretionary bonus of director is determined by the remuneration committee having regard to their performance.

(ii) It represents the estimated value of share options granted to a director under the Company's share option scheme for the year ended 31 December 2019. The value of these share options is measured according to the accounting policies for share-based payments as disclosed in note 4(n) to the financial statements. Further details of the share options scheme is set out in note 24 to the financial statements.

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

### (a) Directors' emoluments (Continued)

During the years ended 31 December 2020 and 2019, 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.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 include two (2019: two) directors whose emoluments are reflected in the analysis presented note (a) above. The emoluments payable to the remaining three (2019: three) highest paid individuals during the year ended 31 December 2020 are as follows:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | **4,198** | 3,666 |
| Discretionary bonuses | **1,067** | 839 |
| Equity settled share-based payment | **–** | 56 |
| Contributions to retirement benefits schemes, other social security plans and housing fund | **36** | 50 |
| | **5,301** | 4,611 |

The emoluments fell within the following bands:

| | **2020**<br>**Number of individuals** | 2019<br>Number of individuals |
|---|---|---|
| HK$1,000,001 to HK$1,500,000 | **2** | 2 |
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |

No emolument was paid by the Group to any of the non-director higher 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.

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

### (c) Senior management's emoluments

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

| | **2020 Number of individuals** | 2019 Number of individuals |
|---|---|---|
| Nil to HK$1,000,000 | **–** | 1 |
| HK$1,000,001 to HK$1,500,000 | **4** | 3 |
| HK$1,500,001 to HK$2,000,000 | **2** | 1 |

## 13. DIVIDENDS

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| Final dividends *(note)* | **11,000** | 14,000 |

*Note:*

Final dividends in respect of the year ended 31 December 2020 of HK1.1 cents per share (2019: HK1.4 cents), amounting to HK$11,000,000 (2019: HK$14,000,000) has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The proposed dividends are not reflected as dividend payable in these financial statements for the year ended 31 December 2020. There are no income tax consequences for the Group related to the payment of dividends by the Company to its shareholders.

Final dividends in respect of the previous financial year, approved and paid during the year of HK1.4 cents per share, amounting a total dividend of HK$14,000,000.

## 14. EARNINGS PER SHARE

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Earnings** | | |
| Profit for the year attributable to owners of the Company | **23,299** | 26,366 |

| | **'000** | '000 |
|---|---|---|
| **Number of ordinary shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share | **1,000,000** | 1,000,000 |

For the purpose of calculating diluted earnings per share for the years ended 31 December 2020 and 2019, no adjustment has been made as the exercise of the outstanding share options has an anti-dilutive effect of the basic earnings per share.

## 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 2019 | 85 | 3,916 | 1,485 | 2,203 | 3,233 | 10,922 |
| Additions | 24 | 808 | – | – | 152 | 984 |
| Disposal | – | – | – | (1,543) | – | (1,543) |
| Exchange realignment | – | (16) | – | – | – | (16) |
| As at 31 December 2019 and 1 January 2020 | 109 | 4,708 | 1,485 | 660 | 3,385 | 10,347 |
| Additions | 7 | 1,203 | – | – | – | 1,210 |
| Exchange realignment | – | 92 | – | – | – | 92 |
| **As at 31 December 2020** | **116** | **6,003** | **1,485** | **660** | **3,385** | **11,649** |
| **Accumulated depreciation** | | | | | | |
| As at 1 January 2019 | 38 | 2,451 | 1,135 | 766 | 3,024 | 7,414 |
| Depreciation | 14 | 682 | 200 | 358 | 221 | 1,475 |
| Disposal | – | – | – | (746) | – | (746) |
| Exchange realignment | – | (7) | – | – | – | (7) |
| As at 31 December 2019 and 1 January 2020 | 52 | 3,126 | 1,335 | 378 | 3,245 | 8,136 |
| Depreciation | 18 | 794 | 150 | 98 | 76 | 1,136 |
| Exchange realignment | – | 56 | – | – | – | 56 |
| **As at 31 December 2020** | **70** | **3,976** | **1,485** | **476** | **3,321** | **9,328** |
| **Net book value** | | | | | | |
| **As at 31 December 2020** | **46** | **2,027** | **–** | **184** | **64** | **2,321** |
| As at 31 December 2019 | 57 | 1,582 | 150 | 282 | 140 | 2,211 |

*Note:*

As at 31 December 2020, there was a prepayment of approximately HK$1,764,000 made for acquiring certain property, plant and equipment (note 18). The total consideration for acquisition of these property, plant and equipment was approximately HK$3,693,000. The remaining balance will be settled in the following year and disclosed in note 33.

## 16. INVENTORIES

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Raw materials | **1,328** | 805 |

Cost of inventories recognised as expense in "cost of revenue" amounted to approximately HK$64,986,000 (note 10) for the year ended 31 December 2020 (2019: HK$80,236,000).

## 17. CONTRACT ASSETS/CONTRACT LIABILITIES

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Contract costs incurred to date plus recognised profits less recognised losses* | **1,721,515** | 1,445,695 |
| Less: Progress billings to date | **(1,680,698)** | (1,373,813) |
| Less: Expected credit losses allowance *(note a)* | **(760)** | (578) |
| | **40,057** | 71,304 |
| Contract assets | **90,628** | 74,661 |
| Contract liabilities | **(50,571)** | (3,357) |
| | **40,057** | 71,304 |

* Included in the balances were warranty provision made for design and build projects amounting to HK$1,200,000 as at 31 December 2020 (2019: HK$1,200,000).

All contract assets/contract liabilities are arisen from the sales of construction services for design and build projects and expected to be recovered/settled within one year. The changes in the contract assets and contract liabilities for the year were resulted from the pace of the progress of particular projects and the timing of approval for progress billing application for certain projects. Contract assets reclassified to trade receivables at the point at which it is invoiced to the customers.

## 17. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

### (a) Contract assets

Typical payment terms which impact on the amount of contract assets are as follows:

#### Construction services

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. Additionally, the Group typically agrees 1 – 2 years retention period for 5% – 10% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection. When the milestone payments made by customers is less than the Group's assessment of the stage of completion, contract assets are recognised.

The increase in the contract assets for the year were resulted from the pace of the progress of particular projects and the timing of approval for progress billing application for certain projects.

The movements in the ECLs allowance for impairment of contract assets are as follows:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| At beginning of the year | **578** | 1,221 |
| Provision/(reversal) of losses allowance for the year | **182** | (643) |
| At end of the year | **760** | 578 |

An impairment analysis is performed at the end of each of the reporting period using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the end of the reporting period about past events, current conditions and forecast of future economic conditions.

## 17. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

### (a) Contract assets (Continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

| At 31 December | **2020**<br>**%** | 2019<br>% |
|---|---|---|
| Expected loss rate | **0.83** | 0.77 |
| | **HK$'000** | HK$'000 |
| Gross carrying amount | **91,388** | 75,239 |
| ECLs allowance | **760** | 578 |

### (b) Contract liabilities

Typical payment terms which impact on the amount of contract liabilities are as follows:

#### Construction services

When the milestone payments made by customers exceed the Group's assessment of the stage of completion, contract liabilities are recognised.

*Movement in contract liabilities*

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Balance as at 1 January | **3,357** | 16,153 |
| 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 | **(1,109)** | (14,577) |
| Increase in contract liabilities as a result of billing in advance of construction activities | **48,323** | 1,781 |
| Balance as at 31 December | **50,571** | 3,357 |

## 18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Non-current** | | |
| Prepayment for acquisition of property, plant and equipment | **1,764** | – |
| Refundable rental deposits | **1,345** | – |
| | **3,109** | – |
| **Current** | | |
| Trade receivables | **55,905** | 46,166 |
| Expected credit losses allowance | **(75)** | (78) |
| | **55,830** | 46,088 |
| Retention receivables | **1,791** | 17,503 |
| Expected credit losses allowance | **(1,526)** | (1,868) |
| | **265** | 15,635 |
| Deposits and prepayment | **27,345** | 15,591 |
| | **83,440** | 77,314 |

The credit period granted to trade debtors ranged from 20 to 60 days.

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| 0 to 30 days | **53,563** | 38,528 |
| 31 to 60 days | **216** | 3,239 |
| 61 to 90 days | **247** | 1,479 |
| Over 90 days but less than 1 year | **1,620** | 859 |
| Over 1 year | **184** | 1,983 |
| | **55,830** | 46,088 |

## 18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT (Continued)

The movements in the ECLs allowance for trade and retention receivables are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At beginning of the year | **1,946** | 2,104 |
| Reversal of losses allowance for the year | **(345)** | (158) |
| At end of the year | **1,601** | 1,946 |

Trade receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2020, based on due date, the Group's retention receivables, net of expected credit losses allowance of HK$83,000 (2019: HK$15,588,000) were not yet past due and the remaining balance of HK$182,000 (2019: HK$47,000) were past due, of which HK$18,000 (2019: nil) was past due for over one year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the reporting period as those balances due are from customers with long business relationship and there has not been a significant change in their credit quality.

## 19. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 December 2020 are interest-bearing at fixed rate of 0.1% per annum (2019: fixed rate of 0.1% per annum) and have initial maturity period of three months (2019: three months). The pledged bank deposits were denominated in HK$.

Pledged bank deposits were placed in banks to secure the banking facilities of the Group (notes 29).

## 20. CASH AND BANK BALANCES

Cash at banks earns interest at floating rate based on daily bank deposits rates.

## 21. TRADE AND OTHER PAYABLES

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Trade payables | **26,978** | 37,586 |
| Retention payables | **8,241** | 7,806 |
| Accruals and other payables | **11,078** | 10,184 |
| | **46,297** | 55,576 |

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

The ageing analysis of the trade payables (net), based on invoice date, as at the end of the reporting period are as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| 0 to 30 days | **17,219** | 23,756 |
| 31 to 60 days | **3,237** | 7,612 |
| 61 to 90 days | **400** | 1,691 |
| Over 90 days | **6,122** | 4,527 |
| | **26,978** | 37,586 |

As at 31 December 2020, retention payables of HK$2,179,000 (2019: HK$5,867,000) were aged one year or below and the remaining balance of approximately HK$6,062,000 (2019: HK$1,939,000) were aged over one year.

## 22. BANK BORROWINGS

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Bank borrowings repayable within one year | **1,127** | 1,000 |

The bank borrowings, including trade financing, are interest bearing at the bank's prime rate or the bank's prime rate adjusted by certain basis points per annum. The interest rate of the Group's bank borrowings as at 31 December 2020 granted under banking facilities was 3.13% (2019: 4.78%) per annum.

As at 31 December 2020 and 2019, the banking facilities (including bank borrowings and surety bonds) granted to the Group were secured by the bank deposits as described in note 19 and the corporate guarantee provided by the Company.

## 23. SHARE CAPITAL

| | 2020<br>Number of<br>shares | 2020<br>Amount<br>HK$'000 | 2019<br>Number of<br>shares | 2019<br>Amount<br>HK$'000 |
|---|---|---|---|---|
| ***Ordinary share of HK$0.01 each*** | | | | |
| **Authorised:** | | | | |
| At beginning and end of the year | **10,000,000,000** | **100,000** | 10,000,000,000 | 100,000 |
| **Issued and fully paid:** | | | | |
| At beginning and end of the year | **1,000,000,000** | **10,000** | 1,000,000,000 | 10,000 |

## 24. 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 as incentives or rewards for their contributions to the Group.

The Share Option Scheme will be valid and effective for a period of 10 years commencing from 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.

The board of directors may, at its absolute discretion, invite any eligible persons to take up options at a price determined by the board of directors which 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) nominal value of a share. Upon acceptance of the offer of an option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

On 2 November 2018, the Company granted an aggregate of 5,500,000 share options under the Share Option Scheme to subscribe for the ordinary shares of nominal value of HK$0.01 each of the Company to eligible participants of the Company and its subsidiaries. Among the total of 5,500,000 share options granted, 3,000,000 share options were granted to a director of the Company.

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

| | **Weighted average exercise price 2020 HK$** | **Number of share option 2020** | Weighted average exercise price 2019 HK$ | Number of share option 2019 |
|---|---|---|---|---|
| Outstanding at beginning of the year | **0.28** | **2,750,000** | 0.28 | 5,500,000 |
| Forfeited during the year | **0.28** | **(2,750,000)** | 0.28 | (2,750,000) |
| Outstanding at the end of the year | **–** | **–** | 0.28 | 2,750,000 |

## 24. SHARE OPTION SCHEME (Continued)

As at 31 December 2019, the exercise price of options outstanding at the end of the year was HK$0.28 and their weighted average remaining contractual life was 1 year. As at 31 December 2020, all the remaining options have been lapsed.

Of the total number of options outstanding as at 31 December 2019, no share option had vested and were exercisable.

The weighted average fair value of options granted as at 31 December 2019 was HK$238,000.

No share-based payments was recognised in profit or loss during the year ended 31 December 2020 (2019: HK$204,000).

## 25. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current asset** | | | |
| Investments in subsidiaries | | **63,185** | 63,185 |
| **Current assets** | | | |
| Amount due from a subsidiary | | **118,271** | 119,919 |
| Prepayments and other receivables | | **534** | 459 |
| Cash and cash equivalents | | **118** | 2,336 |
| | | **118,923** | 122,714 |
| **Current liabilities** | | | |
| Accrual and other payables | | **686** | – |
| Amount due to subsidiaries | | **11,396** | 11,396 |
| | | **12,082** | 11,396 |
| Net current assets | | **106,841** | 111,318 |
| **Net assets** | | **170,026** | 174,503 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *23* | **10,000** | 10,000 |
| Reserves | *26* | **160,026** | 164,503 |
| **Total equity** | | **170,026** | 174,503 |

On behalf of the directors

**Lee Chi Hung**
*Director*

**Lam Suk Yee**
*Director*

## 26. RESERVES

### The Group

Details of the movements on the Group's reserves for the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity. The nature and purposes of reserves within equity are as follows:

#### (a) 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.

#### (b) Merger reserve

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

#### (c) Share-based payments reserve

Cumulative expenses recognised on the granting of share options to the employees over the vesting period.

## 26. RESERVES (Continued)

### The Company

Details of the movements in the Company's reserves during the years ended 31 December 2020 and 2019 are as follows:

| | Share premium HK$'000 | Share-based payment reserve HK$'000 | Retained profits HK$'000 | Total reserve HK$'000 |
|---|---|---|---|---|
| **As at 1 January 2019** | 146,033 | 200 | 18,957 | 165,190 |
| Profit for the year | – | – | 17,109 | 17,109 |
| Dividend paid | – | – | (18,000) | (18,000) |
| Lapse of share option | – | (166) | 166 | – |
| Equity settled share-based transaction *(note 24)* | – | 204 | – | 204 |
| As at 31 December 2019 | 146,033 | 238 | 18,232 | 164,503 |

| | **Share premium HK$'000** | **Share-based payment reserve HK$'000** | **Retained profits HK$'000** | **Total reserve HK$'000** |
|---|---|---|---|---|
| **As at 31 December 2019 and 1 January 2020** | **146,033** | **238** | **18,232** | **164,503** |
| Profit for the year | **–** | **–** | **9,523** | **9,523** |
| Dividend paid | **–** | **–** | **(14,000)** | **(14,000)** |
| Lapse of share option | **–** | **(238)** | **238** | **–** |
| **As at 31 December 2020** | **146,033** | **–** | **13,993** | **160,026** |

## 27. 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 2020 | 2019 | Principal activities |
|---|---|---|---|---|---|---|
| *Directly held:* | | | | | | |
| Join Forward | BVI, limited liability company | Hong Kong | 4 shares of United States Dollars 1 each | **100%** | 100% | Investment holding |
| *Indirectly held:* | | | | | | |
| 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 facade and curtain wall and undertaking repair and maintenance services |
| G & M Curtain Wall Maintenance company 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 Company Limited | Hong Kong, limited liability company | Hong Kong | 10,000 shares of HK$10,000 | **100%** | 100% | Inactive |
| G & M Shenzhen Design Company Limited | 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 |

## 28. LEASE

### Right-of-use assets

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

| | Building and car parks HK$'000 | Machinery HK$'000 | Total HK$'000 |
|---|---|---|---|
| **As at 1 January 2019** | 1,323 | – | 1,323 |
| Additions | 3,848 | 844 | 4,692 |
| Depreciation | (2,370) | (156) | (2,526) |
| **As at 31 December 2019 and 1 January 2020** | **2,801** | **688** | **3,489** |
| Additions | **11,563** | **1,021** | **12,584** |
| Lease modification | **1,151** | **–** | **1,151** |
| Depreciation | **(2,558)** | **(221)** | **(2,779)** |
| Early termination | **–** | **(489)** | **(489)** |
| As at 31 December 2020 | **12,957** | **999** | **13,956** |

### Lease liabilities

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

| | Building and car parks HK$'000 | Machinery HK$'000 | Total HK$'000 |
|---|---|---|---|
| **As at 1 January 2019** | 1,323 | – | 1,323 |
| Additions | 3,848 | 844 | 4,692 |
| Interest expense | 139 | 35 | 174 |
| Lease payments | (2,426) | (206) | (2,632) |
| **As at 31 December 2019 and 1 January 2020** | **2,884** | **673** | **3,557** |
| Additions | **11,344** | **1,021** | **12,365** |
| Lease modification | **1,151** | **–** | **1,151** |
| Interest expense | **132** | **30** | **162** |
| Lease payments | **(2,469)** | **(241)** | **(2,710)** |
| Early termination | **–** | **(511)** | **(511)** |
| As at 31 December 2020 | **13,042** | **972** | **14,014** |

## 28. LEASE (Continued)

### Lease liabilities (Continued)

Future lease payments are due as follows:

| As at 31 December 2020 | Minimum lease payments HK$'000 | Interest HK$'000 | Present value HK$'000 |
|---|---|---|---|
| Not later than one year | **3,183** | **298** | **2,885** |
| One to two years | **3,032** | **227** | **2,805** |
| Later than two years and not later than five years | **8,609** | **285** | **8,324** |
| | **14,824** | **810** | **14,014** |

| As at 31 December 2019 | Minimum lease payments HK$'000 | Interest HK$'000 | Present value HK$'000 |
|---|---|---|---|
| Not later than one year | 2,498 | 121 | 2,377 |
| One to two years | 935 | 27 | 908 |
| Later than two years and not later than five years | 281 | 9 | 272 |
| | 3,714 | 157 | 3,557 |

## 29. GUARANTEES

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

| | **2020** **HK$'000** | 2019 HK$'000 |
|---|---|---|
| Aggregate value of the surety bonds issued in favour of customers *(note 19)* | **47,660** | 58,518 |

The surety bonds are required for the entire period of the relevant construction contracts. As at 31 December 2020, the respective construction contracts are expected to be completed in year 2021 (2019: year 2020).

As assessed by the directors, it is not probable that the bank would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made.

## 30. LITIGATIONS

During the years ended 31 December 2020 and 2019, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding at the end of the reporting period. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the directors, sufficient insurance coverage are maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have material adverse impact on the consolidated financial position of the Group.

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

| | Bank borrowings *(note 22)* HK$'000 | Lease liabilities *(note 28)* HK$'000 |
|---|---|---|
| **At 1 January 2019** | 8,233 | – |
| Changes from cash flows: | | |
| – Proceeds from bank borrowings | 11,000 | – |
| – Repayment for the year | (18,233) | – |
| – Lease payments | – | (2,458) |
| – Interest paid for the year | (213) | – |
| – Interest element of lease payment | – | (174) |
| | (7,446) | (2,632) |
| Other changes: | | |
| – Recognition upon initial application of HKFRS 16 *(note 28)* | – | 1,323 |
| – Additions for the year | – | 4,692 |
| – Interest incurred for the year *(note 9)* | 213 | 174 |
| | 213 | 6,189 |
| **At 31 December 2019 and 1 January 2020** | **1,000** | **3,557** |
| Changes from cash flows: | | |
| – Proceeds from bank borrowings | **1,127** | **–** |
| – Repayment for the year | **(1,000)** | **–** |
| – Lease payments | **–** | **(2,548)** |
| – Interest paid for the year | **(238)** | **(162)** |
| | **(111)** | **(2,710)** |
| Other changes: | | |
| – Additions for the year | **–** | **12,365** |
| – Lease modification | **–** | **1,151** |
| – Interest incurred for the year *(note 9)* | **238** | **162** |
| – Early termination | **–** | **(511)** |
| | **238** | **13,167** |
| At 31 December 2020 | **1,127** | **14,014** |

## 32. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transaction with its related party during the year end 31 December 2019:

| Name | Related party relationship | Type of transaction | Transaction amount 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|---|
| Kentan Co., Ltd *(note)* | A director of the Company is key management personnel of this entity | Purchase of materials | – | 266 |

*Note:* Mr. Lee Chi Hung is the director of Kentan Co., Ltd.

The above transaction was conducted in accordance with the terms mutually agreed between the Group and the related party.

(b) Remuneration of key management personnel who are directors of the Company is disclosed in note 12(a).

## 33. CAPITAL COMMITMENTS

| | **2020 HK$ HK$'000** | 2019 HK$ HK$'000 |
|---|---|---|
| Capital expenditure contracted for the acquisition of: | | |
| – Property, plant and equipment | **1,929** | – |

## 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. 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:

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| Bank borrowings | **1,127** | 1,000 |
| Total equity | **236,873** | 227,579 |
| Gearing ratio | **0.48%** | 0.44% |

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.

## 35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| Financial assets measured at amortised cost: | | |
| – Trade and other receivables | **60,124** | 65,094 |
| – Pledged bank deposits | **5,000** | 5,000 |
| – Cash and bank balances | **149,157** | 128,467 |
| | **214,281** | 198,561 |

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial liabilities** | | |
| At amortised cost: | | |
| – Trade and other payables | **46,297** | 55,576 |
| – Lease liabilities | **14,014** | 3,557 |
| – Bank borrowings | **1,127** | 1,000 |
| | **61,438** | 60,133 |

The Group's financial assets and financial liabilities are not materially different from their carrying amounts because of the short term maturity of these financial instruments.

## 36. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk and interest rate 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) 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 other receivables, pledged bank deposits and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables (note 18), 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 measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2020 and 31 December 2019:

| **31 December 2020** | **Current** | **Within 30 days past due** | **31 days to 60 days past due** | **61 days to 90 days past due** | **91 days to 12 months past due** | **More than 12 months past due** | **Total** |
|---|---|---|---|---|---|---|---|
| Expected loss rate (%) | **0.6%** | **0.5%** | **0.4%** | **0.6%** | **0.3%** | **1.3%** | **0.6%** |
| Gross carrying amount (HK$'000) | **145,018** | **216** | **248** | **165** | **1,490** | **156** | **147,293** |
| Loss allowance (HK$'000) | **826** | **1** | **1** | **1** | **4** | **2** | **835** |

| 31 December 2019 | Current | Within 30 days past due | 31 days to 60 days past due | 61 days to 90 days past due | 91 days to 12 months past due | More than 12 months past due | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate (%) | 0.6% | 0.1% | 0.2% | 0.1% | 0.4% | 1.1% | 0.5% |
| Gross carrying amount (HK$'000) | 108,635 | 6,634 | 1,801 | 1,482 | 2,763 | 90 | 121,405 |
| Loss allowance (HK$'000) | 632 | 7 | 3 | 2 | 11 | 1 | 656 |

Expected loss 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 receivables.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

In respect of pledged bank deposits and cash and bank balances, the credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions.

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Credit risk (Continued)

The Group provided guarantees in respect of the surety bonds issued in favour of several customers (note 29). As at 31 December 2020, the maximum exposure to credit risk of guarantees issued by the Group was the value of the surety bonds of HK$47,660,000 (2019: HK$58,518,000), which represented the maximum amount the Group could be required to pay if the guarantees were called on. Management considers that it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of reporting period, the Group has a certain concentration of credit risk as 48% and 97% (2019: 41% and 85%) of the Group's trade receivables was due from the Group's largest customer and the five largest customers respectively.

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

### (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 bank borrowings. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings as at 31 December 2020 and 2019 bore interest at floating rates. Details of bank borrowings is disclosed in notes 22.

The Group's bank balances, including bank deposits also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider that the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

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.

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Interest rate risk (Continued)

#### Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of each of the reporting period (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

| | (Decrease)/increase in profit for the year and retained profits | |
|---|---|---|
| | **2020** | 2019 |
| **Changes in interest rate** | **HK$'000** | HK$'000 |
| +1% | **(4)** | (2) |
| −1% | **4** | 2 |

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the reporting period resembles that of the corresponding financial years. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

### (c) 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 cash at banks and time deposits placed with banks and the bank borrowing that are denominated in RMB and Euro ("**EUR**").

The carrying amounts of the Group's major financial assets and financial liabilities denominated in a currency other than the functional currency of the Group as at 31 December 2020 and 2019 are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| RMB | **23** | 26 |
| EUR | **11** | 110 |
| **Financial liabilities** | | |
| EUR | **1,127** | – |

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### (c) 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 each of the reporting period.

| | Increase in profit for the year and retained profits | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| RMB appreciated by 3% | **1** | 1 |
| EUR appreciated by 3% | **1** | 3 |
| **Financial liabilities** | | |
| EUR appreciated by 3% | **34** | – |

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 companies 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 each of the reporting period does not reflect the exposure during the respective years.

### (d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are 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 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 risks.

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### (d) 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, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | Over 2 years |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **As at 31 December 2020** | | | | | |
| Trade and other payables | **46,297** | **46,297** | **46,297** | **–** | **–** |
| Lease liabilities | **14,014** | **14,824** | **3,183** | **3,032** | **8,609** |
| Bank borrowings | **1,127** | **1,139** | **1,139** | **–** | **–** |
| | **61,438** | **62,260** | **50,619** | **3,032** | **8,609** |
| **As at 31 December 2019** | | | | | |
| Trade and other payables | 55,576 | 55,576 | 55,576 | – | – |
| Lease liabilities | 3,557 | 3,714 | 2,498 | 935 | 281 |
| Bank borrowings | 1,000 | 1,016 | 1,016 | – | – |
| | 60,133 | 60,306 | 59,090 | 935 | 281 |

# 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 and the accountant's report as contained in the prospectus dated 25 May 2017, is set out below.

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Revenue** | **243,399** | 299,756 | 365,436 | 315,751 | 273,912 |
| Gross Profit | **63,170** | 69,452 | 86,995 | 99,505 | 90,523 |
| Profit before income tax | **27,670** | 31,233 | 45,195 | 63,997 | 61,901 |
| Income Tax expenses | **(4,371)** | (4,867) | (8,256) | (11,730) | (11,824) |
| **Profit for the year** | **23,299** | 26,366 | 36,939 | 52,267 | 50,077 |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Non-current assets | **19,386** | 5,700 | 3,508 | 5,376 | 3,814 |
| Current assets | **329,553** | 286,247 | 298,990 | 269,232 | 159,841 |
| Total assets | **348,939** | 291,947 | 302,498 | 274,608 | 163,655 |
| Non-current liabilities | **11,128** | 1,180 | – | – | – |
| Current liabilities | **100,938** | 63,188 | 83,479 | 66,523 | 80,708 |
| Total liabilities | **112,066** | 64,368 | 83,479 | 66,523 | 80,708 |
| **Total equity** | **236,873** | 227,579 | 219,019 | 208,085 | 82,947 |