G & M Holdings Limited
信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6038

2017

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 and 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

Executive Directors

Mr. Lee Chi Hung *(Chairman and Chief Executive Officer)*
Mr. Chan Wai Yin

Non-executive Director

Mr. Leung Ping Kwan

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Huen Shuk Man
Mr. Lee Baldwin

AUTHORISED REPRESENTATIVES

Mr. Lee Chi Hung
Mr. Chan Wai Yin

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1709–14, 17th Floor
Manhattan Centre
8 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISOR

Messis Capital Limited

PRINCIPAL BANKERS

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

AUDITOR

BDO Limited

COMPANY WEBSITE

www.gm-eng.com.hk

STOCK CODE

6038

Chairman's Statement

On behalf of the board (the "**Board**") of Directors (the "**Directors**"), I am pleased to present the annual report of G & M Holdings Limited (the "**Company**") together with its subsidiaries (the "**Group**") for the year ended 31 December 2017 ("**Year 2017**").

The shares of the Company (the "**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 June 2017 (the "**Listing**"), representing a significant milestone for the Company. I am most grateful for the contributions from our business partners, staff members, management team and particularly, the guidance by our professional advisors, which made the Listing possible.

The construction market was steadily growing in Year 2017 amidst intense competition and escalating construction costs. To sustain a favourable profit margin, the Group will improve our operational efficiency and remain focused on premium projects.

We are optimistic on the Hong Kong market as the Group continues to receive a high level of tender opportunities in Hong Kong. The Group keeps its focus on a number of main contractors with the aim to secure a greater number of larger scale projects, which are expected to render a steady stream of work and revenue. Simultaneously, we shall continue to exert effort in expanding our business in the commercial building curtain wall market.

On behalf of the Board, I would like to express my sincere gratitude to our management team and staff for the exceptional effort they have put and to our shareholders, investors and business partners for their trust and support.

The Board is pleased to share the Group's performance with its shareholders and recommends the payment of a final dividend of HK2.4 cents per Share for Year 2017.

Lee Chi Hung
Chairman and Executive Director

Hong Kong, 19 March 2018

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.

FINANCIAL REVIEW

Revenue

During Year 2017, the Group recorded a revenue of approximately HK$315.8 million, representing a growth of approximately HK$41.9 million or 15.3% from that of approximately HK$273.9 million for the year ended 31 December 2016 ("**Year 2016**"). Design and build projects contributed approximately HK$307.0 million (Year 2016: HK$267.1 million) of the Group's total revenue whereas repair and maintenance services brought in revenue of approximately HK$8.8 million (Year 2016: HK$6.9 million), representing approximately 97.2% (Year 2016: 97.5%) and 2.8% (Year 2016: 2.5%) of the Group's total revenue, respectively.

Having achieved higher recognition and financial strength with the Listing, the Group has been confident to bid for larger number of and higher value projects. The Group undertook works on 30 projects during Year 2017, as opposed to only 23 projects in Year 2016; among which, seven were newly awarded during Year 2017, while the remaining 23 were brought forward from Year 2016. Three of the Group's projects on hand as at 31 December 2017 are of contract sum higher than HK$100 million.

Outlook and prospects

The Group's major projects on hand as at 31 December 2017 can be summarised as follow:

No.	Type of works undertaken	Location	Expected completion date	Estimated remaining contract value as at 31 December 2017 HK$ million
1.	Curtain wall	Happy Valley, Hong Kong	Dec 2019	101.1
2.	Podium facade	Tai Koo, Hong Kong	Jun 2018	74.8
3.	Podium facade	North Point, Hong Kong	Dec 2018	62.3
4.	Podium facade	Shau Kei Wan, Hong Kong	Apr 2018	35.5
5.	Podium facade	Lohas Park, New Territories	Oct 2018	33.2
6.	Podium facade	Nam Cheong, Kowloon	Mar 2018	23.8
7.	Podium facade	Shatin, New Territories	Sep 2018	21.4
				352.1

The prospect of the market in which the Group operates remains promising. However, the Group's performance is dependent on various factors, including but not limited to, the timing of project availability, progress on individual work project, certification by our customers and price fluctuation of materials and labour. The Group adopts a pro-active approach in the tender strategy in order to maintain relationship with customers, increase our presence in the market and bring opportunities for securing new customers and projects.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK$9.0 million or 9.9% from approximately HK$90.5 million for Year 2016 to approximately HK$99.5 million for Year 2017. Gross profit margin of the Group was approximately 31.5% for Year 2017, representing a slight decrease as compared with that of approximately 33.0% for Year 2016. Profit margin would vary among the Group's different projects, due to the difference in nature and specifications of each project. The Group adopted a more competitive pricing in its tender for a prominent project with high visibility which commenced in Year 2017, having regard to that the project would enhance the Group's reputation and work portfolio.

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by approximately HK$8.3 million or 40.3% from approximately HK$20.6 million for Year 2016 to approximately HK$28.9 million for Year 2017. Such increase was mainly due to the professional fees and the increase in salaries, allowances and other benefits and rental expenses as a result of the Group's business expansion.

Listing expenses

Listing expenses represent professional fees incurred for the Listing and are not recurring in nature.

Income tax expense

The Group's operation is based in Hong Kong which is subject to Hong Kong profit tax calculated at 16.5% of the estimated assessable profit during the reporting periods.

For Year 2017, the Group recorded income tax expense of approximately HK$11.7 million (Year 2016: HK$11.8 million) representing an effective tax rate of approximately 18.3% (Year 2016: 19.1%). The decrease in the effective tax rate during Year 2017 was mainly due to the decrease in listing expenses of approximately HK$1.1 million which was not tax deductible.

Profit for the year

The Group's profit for Year 2017 amounted to approximately HK$52.3 million, representing an increase of approximately HK$2.2 million or 4.4% as compared to that of approximately HK$50.1 million for Year 2016.

The Group's profit for the year on a normalised basis is as below:

	For the year ended 31 December	
	2017	2016
	HK$ million	HK$ million
Profit before income tax	**64.0**	61.9
Add: non-recurring Listing expenses	**6.4**	7.4
Profit before income tax on normalised basis	**70.4**	69.3
Income tax expense	**(11.7)**	(11.8)
Profit for the year on normalised basis	**58.7**	57.5
Net profit margin on normalised basis	**18.6%**	21.0%

The Group's net profit margin for Year 2017 remained healthy at approximately 18.6%, despite having demonstrated a decline as compare to Year 2016 as a result of the decrease in gross profit margin and the increase in administrative and other operating expenses.

Receivable turnover days

The Group's receivable turnover days for Year 2017 increased to approximately 45.7 days as compared to that of approximately 26.1 days for Year 2016 because the Group has granted a longer credit period of 60 days to two major customers. The Group did not observe any signs of default on any of its trade receivables balance as at 31 December 2017.

Bank borrowings

The Group's bank borrowings as at 31 December 2017 were approximately HK$19.5 million, representing an increase of approximately HK$9.5 million as compared to that of approximately HK$10.0 million as at 31 December 2016. Such increase was mainly due to the increase in purchase of materials settled with bank borrowings during Year 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's gearing ratio, calculated by dividing total debts by total equity, as at 31 December 2017 was approximately 0.09 times (31 December 2016: 0.12 times). The decrease was mainly due to the increase in the total equity after Listing which netted off the effect of the increase in the bank borrowings.

The Group's cash and cash equivalents balances as at 31 December 2017 amounted to approximately HK$106.6 million, representing an increase of approximately HK$58.1 million as compared to that of approximately HK$48.5 million as at 31 December 2016. Such increase was mainly due to the net proceeds from the Listing.

The Group's bank borrowings as at 31 December 2017 were all denominated in Hong Kong Dollars and Euros. The interest rates were ranged from 3.13% to 5.25% 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 engaged in any derivatives contracts to hedge its exposure to foreign exchange risk during Year 2017.

Capital expenditures and commitments

As at 31 December 2017, the Group did not have any significant capital commitments (31 December 2016: HK$1.1 million)

Significant investments held

The Group had not held any significant investments during Year 2017.

Material acquisitions and disposals

During Year 2017, the Group did not have any material acquisitions and disposal of subsidiaries, associations and joint ventures.

Pledge of assets

As at 31 December 2017, pledged deposits in the sum of approximately HK$21.2 million (31 December 2016: HK$21.2 million) were placed with banks as securities for certain banking facilities of the Group.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2017.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

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

Employees and remuneration policies

The Group had 91 staff as at 31 December 2017 (31 December 2016: 73 staff) and the total employee benefit expenses for Year 2017 amounted to approximately HK$43.5 million (Year 2016: HK$36.0 million). Such increase was mainly contributed to the increase in average number of staff salary as a result of the Group's business expansion. The Group determines the remuneration of its employees based on each employee's qualifications, experience and past performance. The Board has approved on 12 May 2017 to establish a remuneration committee which will make 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's emoluments

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

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**2**	2

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.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting the Listing expenses of approximately HK$24.6 million, amounted to approximately HK$77.9 million, which is slightly higher than the estimated net proceeds of approximately HK$76.5 million as disclosed in the prospectus of the Company dated 25 May 2017 (the "**Prospectus**"). The difference of approximately HK$1.4 million has been adjusted in the same manner and in the same proportion to the use of proceeds as disclosed in the section headed "Future plans and use of proceeds" in the Prospectus. The utilisation of net proceeds raised by the Group from the date of Listing up to 31 December 2017 is as below:

	Estimated use of proceeds HK$ million	**Adjusted use of proceeds** HK$ million	**Utilised up to 31 December 2017** HK$ million	**Unutilised as at 31 December 2017** HK$ million
Expanding the Group's capacity to undertake more design and build projects	47.5	48.4	31.3	17.1
Expanding the Groups' manpower	16.3	16.6	2.6	14.0
Enhancing the Group's operational efficiency and technical capacity	5.1	5.2	1.9	3.3
General working capital	7.6	7.7	2.5	5.2
Total	76.5	77.9	38.3	39.6

The remaining unused net proceeds as at 31 December 2017 were placed as bank balances with licensed bank in Hong Kong and will be applied according to the intended usage stated in the Prospectus.

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 green house 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 Year 2017 and up to the date of this annual 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 industry 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 2017 and up to the date of this annual report which would have a material effect on the Group.

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 (the "**Listing Rules**") and has complied with the CG Code since the date of Listing and up to 31 December 2017 (the "**Year**"), 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 its 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**") as 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 since the date of Listing and up to the date of this annual 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 composition of the Board and the attendance record of each Director at board meetings since the Listing and up to 31 December 2017 are as below. The Company has not held a members' general meeting since the Listing.

	Appointed on	Attendance/ Meetings held
Executive Directors		
Mr. Lee Chi Hung *(Chairman and Chief Executive Officer)*	29 November 2016	2/2
Mr. Chan Wai Yin	9 January 2017	2/2
Non-executive Director		
Mr. Leung Ping Kwan	9 January 2017	2/2
Independent Non-executive Directors		
Professor Wong Reoderick Sue Cheun	12 May 2017	2/2
Mr. Tai Kwok Leung, Alexander	12 May 2017	2/2
Mr. Kwan Cheuk Kui	12 May 2017	2/2

Biographic details of and the relationship amongst the Directors are presented in the section headed "Directors and Senior Management" 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 first 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. 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.

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

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 COMMITTEES

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 meeting held since the Listing and up to the date of this annual report 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)	1/1(M)	1/1(M)	1/1(M)
Mr. Tai Kwok Leung, Alexander	3/3(C)	1/1(M)	1/1(M)	1/1(M)
Mr. Kwan Cheuk Kui	3/3(M)	1/1(M)	1/1(C)	1/1(M)
Executive Directors				
Mr. Lee Chi Hung	N/A	1/1(C)	N/A	N/A
Mr. Chan Wai Yin	N/A	N/A	N/A	1/1(C)
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 and met the Company's auditor to discuss auditor's independence, audit approach, key audit matters and results of audit for the Year. 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. Further information on the Group's risk management and internal control is set out in the sub-section headed "Risk Management and Internal Control" in this section.

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 chief operating officer. 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 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 sub-section headed "Risk Management and Internal Control" in this section.

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 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 and to report their findings to the risk management committee and the Board. The review scope for the Year covered overall management control, risk assessment and management, control procedures for revenue and tendering and financial and management reporting.

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 remuneration paid to the Company's auditor for the Year is as below

	HK$'000
Audit services provided to the Group	630
Non-audit services	108
	738

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 26 to 29 of this 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.

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 Room 1709–14, 17th Floor, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong) or its branch share registrar and transfer office in Hong Kong (Tricor Investor Services Limited, Level 22, 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.

The Directors submit their report together with the audited financial statements of the Group for Year 2017.

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 30 to the consolidated financial statements.

BUSINESS REVIEW

A review on the Group's business for Year 2017 is set out under the section headed "Management Discussion and Analysis" of this annual report.

RESULTS AND DIVIDENDS

The Group's results for Year 2017 are set out in the consolidated statement of comprehensive income on page 30 of this annual report.

The Directors recommended the payment of a final dividend of HK2.4 cents per Share, amounting to a total of HK$24.0 million for Year 2017, representing a dividend ratio of approximately 45.9%. The proposed final dividend is subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 6 June 2018 (the "**AGM**") and is expected to be paid on or about 6 July 2018.

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 Friday, 1 June 2018 to Wednesday, 6 June 2018 (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 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 Thursday, 31 May 2018 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 Wednesday, 13 June 2018 to Friday, 15 June 2018 (both days inclusive). In order to qualify for the proposed final dividend, which is subject to approval of shareholders at the AGM, holders of the Shares 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 Tuesday, 12 June 2018.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last four years is set out on page 84 of this annual report. Such summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during Year 2017 are set out in note 26 to the consolidated financial statements.

RESERVES

Details of movement in the Group's and the Company's reserves during Year 2017 are set out in note 29 to the consolidated financial statements.

The Company's distributable reserves amounted to approximately HK$172.0 million as at 31 December 2017.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 12 May 2017 and no options have been granted, 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 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 as at 13 June 2017 when the Shares 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.

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 Year 2017.

DIRECTORS

The Directors of the Company during Year 2017 and up to the date of this annual report are as follow.

	Appointed on
Executive Directors	
Mr. Lee Chi Hung ("**Mr. Lee**") *(Chairman and Chief Executive Officer)*	29 November 2016
Mr. Chan Wai Yin	9 January 2017
Non-executive Director	
Mr. Leung Ping Kwan ("**Mr. Leung**")	9 January 2017
Independent Non-executive Directors	
Professor Wong Roderick Sue Cheun	12 May 2017
Mr. Tai Kwok Leung, Alexander	12 May 2017
Mr. Kwan Cheuk Kui	12 May 2017

In accordance with the provisions of the Company's articles of association, Mr. Lee and Mr. Leung 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 Year 2017. 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 noncompliance with the terms of the non-competition undertaking during the Year 2017.

MANAGEMENT CONTRACTS

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 Year 2017.

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

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 Year 2017.

DISCLOSURE OF INTERESTS

As at 31 December 2017, 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)*	750,000,000	75%
Mr. Leung	Interest in a controlled corporation; interest held jointly with another person *(Note)*	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%

Note: 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.

So far as the directors are aware, as at 31 December 2017, the interest and short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares 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. Lam Suk Yee *(Note 2)*	Interest of spouse	750,000,000	Long	75%
Ms. Ku Nga Ping *(Note 3)*	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. Lam Suk Yee 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.

3. 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 Year 2017, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 95.8% (Year 2016: 96.9%) and 50.4% (Year 2016: 64.7%) of the Group's total turnover, respectively.

During Year 2017, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 65.1% (Year 2016: 60.6%) and 29.7% (Year 2016: 29.0%) 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.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during Year 2017 are disclosed in note 36 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 since the Listing 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 since the Listing and up to the date of this annual report.

AUDITOR

The consolidated financial statements for Year 2017 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, 19 March 2018

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lee Chi Hung (李志雄), aged 52, 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.

Mr. Chan Wai Yin (陳偉賢), aged 52, was appointed as an executive Director on 9 January 2017 and is primarily responsible for overall management and overseeing and monitoring of projects of the Group. Mr. Chan joined the Group in February 1999. He obtained a degree of Bachelor of Business Administration from The University of Oklahoma in the United States in May 1991. Mr. Chan has over 20 years of experience in the construction industry in Hong Kong. He is a board member of Hong Kong Facade Association. Mr. Chan is also a director of one of the Group's subsidiaries, G & M Engineering Company Limited.

NON-EXECUTIVE DIRECTOR

Mr. Leung Ping Kwan (梁炳坤), aged 56, 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 73, 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. Professor Wong is currently 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) and Chair Professor of Mathematics at City University of Hong Kong. Also, he is the Director of the Liu Bie Ju Centre for Mathematical Sciences at City University of Hong Kong. Professor Wong is an independent non-executive director of Sam Woo Construction Group Limited (stock code: 3822) which shares are listed on the Stock Exchange.

Mr. Tai Kwok Leung, Alexander (戴國良), aged 60, 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 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Mr. Tai is an independent non-executive director of Anhui Conch Cement Company Limited (stock code: 914), Luk Fook Holdings (International) Limited (stock code: 590), Jiayuan International Group Limited (stock code: 2768) and Shengjing Bank Co., Ltd. (stock code: 2066), which are all listed on the Stock Exchange of Hong Kong. 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 54, 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. Choi Yau Wan (蔡有宏), aged 58, is the chief operating officer of the Group and joined the Group in August 2017. He is primarily responsible for overseeing the operation of a subsidiary of the Group. He obtained a diploma in construction management from the Hong Kong University (Space). He has over 30 years of experience in the construction industry in Hong Kong and Australia. He also is the president of Hong Kong Facade Association.

Mr. Tong Wai Shing, Wilson (湯偉成), aged 39, is the deputy project director of the Group and joined the Group in June 2002. He is primarily responsible for organising, managing and supervising the Group's projects. He holds a degree of Master 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.

Mr. So Yiu Man (蘇耀文), aged 52, is the general manager and joined the Group in January 2005. He is primarily responsible for contract administration, budgeting and supervision of contracting projects. Mr. So holds a degree of Master of Business Administration from the Open University of Hong Kong. Mr. So has over 27 years of experience in the construction industry in Hong Kong.

Mr. Ho Ting Shun (賀挺信), aged 52, is the 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. Mr. Ho has over 21 years of experience in the construction industry in Hong Kong.

Ms. Huen Shuk Man (禤淑敏), aged 33, 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.

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 30 to 83 which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 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 amounts due from/to customers for contract works

Refer to notes 5(i), 6(i) and 6(ii) to the consolidated financial statements

For the year ended 31 December 2017, the Group recognised revenue from one-stop design and build solutions amounting to HK$306,976,000 and, as at 31 December 2017, the Group recorded amounts due from and amounts due to customers for contract works of HK$40,599,000 and HK$8,381,000 respectively. Revenue from construction works is recognised by applying percentage of completion method, which is measured by reference to the contract costs incurred to date as a proportion to the total estimated contract costs, whereas amounts due from/to customers for contract works 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 6(i) and 6(ii) to the consolidated financial statements, the estimation of contract costs for an individual contract, which mainly comprise subcontracting charges, materials and processing charges and project staff costs, is based on offers from or agreed with sub-contractors and suppliers as well as the experience of the directors, which is revised regularly as a contract progressed. This involves the use of significant management judgment and involves estimation uncertainty.

Our audit procedures in relation to the recognition of contract revenue and amounts due from/to customers for contract works 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 percentage of 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.

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, related safeguards.

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, 19 March 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	8	**315,751**	273,912
Cost of revenue		**(216,246)**	(183,389)
Gross profit		**99,505**	90,523
Other income, gains and losses	9	**286**	17
Administrative and other operating expenses		**(28,893)**	(20,641)
Listing expenses		**(6,363)**	(7,439)
Finance costs	10	**(538)**	(559)
Profit before income tax	11	**63,997**	61,901
Income tax expense	12	**(11,730)**	(11,824)
Profit for the year		**52,267**	50,077
Other comprehensive income for the year			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising from translation of foreign operation		**23**	(72)
Total comprehensive income for the year		**52,290**	50,005
Profit for the year attributable to:			
Owners of the Company		**52,267**	50,052
Non-controlling interests		**—**	25
		52,267	50,077
Total comprehensive income for the year attributable to:			
Owners of the Company		**52,290**	49,980
Non-controlling interests		**—**	25
		52,290	50,005
		HK cents	HK cents
Earnings per share			
Basic and diluted earnings per share	15	**5.9**	6.7

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*16*	**5,376**	3,378
Prepayment for acquisition of property, plant and equipment		**—**	436
		5,376	3,814
Current assets			
Inventories	*17*	**2,432**	976
Amounts due from customers for contract works	*18*	**40,599**	14,955
Trade and other receivables	*19*	**98,372**	74,217
Pledged bank deposits	*21*	**21,215**	21,211
Cash and bank balances	*22*	**106,614**	48,482
		269,232	159,841
Current liabilities			
Amounts due to customers for contract works	*18*	**8,381**	24,439
Trade and other payables	*23*	**38,427**	37,957
Tax payable		**239**	8,107
Bank borrowings	*24*	**19,476**	10,027
Obligation under finance lease	*25*	**—**	178
		66,523	80,708
Net current assets		**202,709**	79,133
Total assets less current liabilities		**208,085**	82,947
Net assets		**208,085**	82,947
CAPITAL AND RESERVES			
Share capital	*26*	**10,000**	—
Reserves	*29*	**198,085**	82,947
Total equity		**208,085**	82,947

On behalf of the directors

Lee Chi Hung
Director

Chan Wai Yin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		Equity attributable to owners of the Company							
	Note	Share capital (note 26) HK$'000	Share premium* (note 29) HK$'000	Merger reserve* (note 29) HK$'000	Translation reserves* HK$'000	Retained profits* HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		10	—	998	—	83,655	84,663	1,179	85,842
Profit for the year		—	—	—	—	50,052	50,052	25	50,077
Other comprehensive income for the year:									
Exchange difference arising from translation of foreign operation		—	—	—	(72)	—	(72)	—	(72)
Total comprehensive income for the year		—	—	—	(72)	50,052	49,980	25	50,005
Acquisition of non-controlling interest#		—	—	1,400	—	(196)	1,204	(1,204)	—
Arising from reorganisation		(10)	—	10	—	—	—	—	—
Deemed distribution to a controlling shareholder#		—	—	(7,000)	—	—	(7,000)	—	(7,000)
Interim dividend declared	14	—	—	—	—	(45,900)	(45,900)	—	(45,900)
At 31 December 2016		—	—	(4,592)	(72)	87,611	82,947	—	82,947

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		Equity attributable to owners of the Company					
	Notes	Share capital *(note 26)* HK$'000	Share premium* *(note 29)* HK$'000	Merger reserve* *(note 29)* HK$'000	Translation* reserves HK$'000	Retained profits* HK$'000	Total equity HK$'000
At 1 January 2017		—	—	(4,592)	(72)	87,611	82,947
Profit for the year		—	—	—	—	52,267	52,267
Other comprehensive income for the year:							
Exchange difference arising from translation of foreign operation		—	—	—	23	—	23
Total comprehensive income for the year		—	—	—	23	52,267	52,290
Interim dividend declared	*14*	—	—	—	—	(20,000)	(20,000)
Share issued pursuant to the capitalisation issue	*26(a)(iv)*	7,500	(7,500)	—	—	—	—
Share issued under share offer	*26(a)(v)*	2,500	100,000	—	—	—	102,500
Share issuance expenses	*26(a)(vi)*	—	(9,652)	—	—	—	(9,652)
At 31 December 2017		10,000	82,848	(4,592)	(49)	119,878	208,085

* The reserves of HK$198,085,000 (2016: HK$82,947,000) in the consolidated statement of financial position were comprised of these reserve accounts.

As part of the reorganisation as disclosed in note 2 to financial statements, Mr. Lee Chi Hung ("Mr. Lee"), director and shareholder of the Company, acquired 20% equity interest in G & M Curtain Wall Maintenance Services Limited ("G & M Maintenance") held by non-controlling shareholder at the consideration of HK$1,400,000 on 1 February 2016. Upon completion of the acquisition, G & M Maintenance was wholly owned by Mr. Lee. On 26 April 2016, the Group acquired 100% equity interest in G & M Maintenance from Mr. Lee at the consideration of HK$7,000,000 which was treated as a deemed distribution to a controlling shareholder.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Profit before income tax	**63,997**	61,901
Adjustments for:		
Depreciation of property, plant and equipment	**2,640**	1,563
Bank interest income	**(32)**	(7)
Write-off of property, plant and equipment	**—**	6
(Gain)/Loss on disposal of property, plant and equipment	**(25)**	16
Interest expenses	**538**	559
Operating profit before working capital changes	**67,118**	64,038
(Increase)/Decrease in inventories	**(1,456)**	172
(Increase)/Decrease in amounts due from customers for contract works	**(25,644)**	4,999
Increase in trade and other receivables	**(24,151)**	(55,286)
Increase/(Decrease) in trade and other payables	**397**	(5,856)
(Decrease)/Increase in amounts due to customers for contract works	**(16,058)**	5,512
Change in balance with a director	**—**	7,646
Cash generated from operations	**206**	21,225
Income tax paid	**(19,598)**	(15,971)
Net cash (used in)/generated from operating activities	**(19,392)**	5,254
Cash flows from investing activities		
Interest received	**32**	7
Increase in pledged bank deposits	**(4)**	(17,006)
Acquisition of property, plant and equipment	**(4,168)**	(3,203)
Prepayment for acquisition of property, plant and equipment	**—**	(436)
Sales proceeds from disposal of property, plant and equipment	**10**	2
Net cash used in investing activities	**(4,130)**	(20,636)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from financing activities		
Proceeds from bank borrowings	**33,900**	39,782
Interest paid on bank borrowings	**(536)**	(551)
Repayment of bank borrowings	**(24,451)**	(37,355)
Proceeds from issuance of shares *(note 26)*	**102,500**	—
Payment of shares issuance expenses *(note 26)*	**(9,652)**	—
Dividends paid *(note 14)*	**(20,000)**	(45,900)
Repayment of obligations under finance lease	**(180)**	(215)
Deemed distribution to a controlling shareholder	**—**	(7,000)
Net cash generated from/(used in) financing activities	**81,581**	(51,239)
Increase/(Decrease) in cash and cash equivalents	**58,059**	(66,621)
Effect of exchange rate changes on cash and cash equivalents	**73**	—
Cash and cash equivalents at the beginning of year	**48,482**	115,103
Cash and cash equivalents at the end of year	**106,614**	48,482

Notes to the Consolidated Financial Statements

1. GENERAL

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 "Listing"). The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Units 1709–14, 17th Floor, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. 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 "Business").

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 2017 were approved and authorised for issue by the directors on 19 March 2018.

2. REORGANISATION AND BASIS OF PRESENTATION

Pursuant to a reorganisation (the "Reorganisation") conducted by the companies now comprising the Group to prepare for the Listing, the Company has since 12 May 2017 become the holding company of its subsidiaries now comprising the Group.

Prior to the Reorganisation, all entities which took part in the Reorganisation were collectively controlled by Mr. Lee Chi Hung ("Mr. Lee") and Mr. Leung Ping Kwan ("Mr. Leung"). Both are collectively referred to as the "Controlling Shareholders".

Part of the steps under the Reorganisation are described below:

a. Join Forward Group Limited ("Join Forward") was incorporated in the BVI on 3 November 2015 with an authorised share capital of United States Dollars ("US$") $50,000 divided into 50,000 shares of US$1 each. On 4 December 2015, one subscriber share was allotted and issued to each of Mr. Lee and Ms. Ku Nga Ping, the spouse of Mr. Leung ("Ms. Ku") and credited as fully paid at par. Pursuant to a confirmatory deed, Ms. Ku held 50% of the issued shares of Join Forward in trust for and on behalf of Mr. Leung.

b. On 24 December 2015, Join Forward acquired (i) 500,000 shares of G & M Engineering Company Limited ("G & M Engineering") from Mr. Lee and in consideration, Join Forward allotted and issued one share, credited as fully paid at par, to Mr. Lee; and (ii) 500,000 shares of G & M Engineering from Ms. Ku and in consideration, Join Forward allotted and issued one share, credited as fully paid at par, to Ms. Ku. Pursuant to a confirmatory deed, Ms. Ku held 50% of the issued shares of G & M Engineering in trust for and on behalf of Mr. Leung and the transfer by Ms. Ku was under the direction of Mr. Leung. Upon completion of the above acquisitions, G & M Engineering becomes a wholly-owned subsidiary of Join Forward.

2. REORGANISATION AND BASIS OF PRESENTATION (Continued)

c. On 24 December 2015, G & M Engineering acquired 25% of the issued shares of G & M Contracting Limited ("G & M Contracting") from the non-controlling shareholder at the consideration of Hong Kong dollars ("HK$") $2,500.

d. On 31 December 2015, Ms. Ku (at the direction of Mr. Leung) transferred one share (representing 25% of the issued shares) of Join Forward to Mr. Lee at the consideration of HK$40,000,000.

e. On 27 January 2016, 深圳信越設計有限公司 ("G & M Design") was incorporated in the People's Republic of China (the "PRC") as a wholly foreign-owned enterprise with a registered capital of HK$1,000,000, which was contributed fully by G & M Engineering.

f. On 1 February 2016, Mr. Lee acquired 2,000 shares of G & M Maintenance (representing 20% of the issued shares) from Mr. Chan Wai Yin, the non-controlling shareholder and director of the Company, at the consideration of HK$1,400,000. Upon the acquisition, Mr. Lee became the sole shareholder of G & M Maintenance.

g. On 26 April 2016, Join Forward acquired 10,000 shares of G & M Maintenance (representing 100% of the issued shares) from Mr. Lee at the consideration of HK$7,000,000. Upon the acquisition, G & M Maintenance became a wholly-owned subsidiary of Join Forward.

h. Luxury Booming was incorporated on 3 November 2015 and was authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1 each. On 4 December 2015, one subscriber share was allotted and issued as fully paid to Mr. Lee.

i. The Company was incorporated in the Cayman Islands on 29 November 2016. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was transferred to Luxury Booming on the same date.

j. On 9 January 2017, Ms. Ku, at the direction of Mr. Leung, transferred one share of Join Forward back to Mr. Leung at par.

k. On 9 January 2017, Luxury Booming allotted and issued as fully paid two shares to Mr. Lee and one share to Mr. Leung.

l. On 12 May 2017, the Company acquired the entire issued share capital of Join Forward from Mr. Lee and Mr. Leung and in consideration of the acquisition, the Company allotted and issued as fully paid three shares to Luxury Booming, and the Company credited the one nil paid share held by Luxury Booming referred to in step (i) above as fully paid. Upon completion of the acquisition, Join Forward became a wholly-owned subsidiary of the Company.

Upon completion of the aforementioned steps of the Reorganisation, the issued share capital of the Company was wholly owned by Luxury Booming, whereas the issued share capital of Luxury Booming was held as to (i) 75% by Mr. Lee; and (ii) 25% by Mr. Leung.

2. REORGANISATION AND BASIS OF PRESENTATION (Continued)

Immediately prior to and after the Reorganisation, the Business is held by the Company's subsidiaries. Pursuant to the Reorganisation, the subsidiaries together with the Business are transferred to and held by the Company.

Pursuant to the Reorganisation, (i) G & M Engineering and its subsidiaries (i.e. G & M Contracting and G & M Design); and (ii) G & M Maintenance are restructured so that after the restructuring, Join Forward became the immediate holding company of both G & M Engineering and G & M Maintenance. A mutual understanding and arrangement (the "Arrangement") has existed among Mr. Lee and Mr. Leung to manage the business and operations of the Group on a collective basis. The Controlling Shareholders are parties acting in concert with each other in making decisions over the Business. Despite Mr. Leung had no legal ownership in G & M Maintenance before establishing Join Forward to acquire G & M Engineering and G & M Maintenance, the Arrangement had existed among Mr. Lee and Mr. Leung, which has enabled them to have the ability to direct the relevant activities of G & M Maintenance and to benefit from their involvement in G & M Maintenance. Other than through the Arrangement, Mr. Leung was able to control G & M Maintenance through G & M Engineering. Also, Mr. Lee and Mr. Leung are able to control G & M Maintenance in a way to maximise their return to G & M Engineering. As both G & M Engineering and G & M Maintenance have been under the control of Mr. Lee and Mr. Leung, the combination of G & M Engineering and G & M Maintenance is accounted for as business combination under common control and the Group has adopted merger basis of accounting under Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA for the combination of G & M Engineering and G & M Maintenance.

The Company and its subsidiaries now comprising the Group have been both before and after the Reorganisation under the common control of the Controlling Shareholders. Also, the Arrangement existed among the Controlling Shareholders to manage the business and operations of the Group on a collective basis and the Controlling Shareholders have made collective decisions in respect of the financing and operating activities that significantly affect the Group's returns. Hence, the Controlling Shareholders are regarded as the controlling parties of the Group throughout the current year and in prior years.

The Group is regarded as a continuing entity since all entities which took part in the Reorganisation were controlled by the same ultimate controlling parties i.e. the Controlling Shareholders, before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation. Accordingly, the Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations and the financial statements have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the current year and in prior years.

The statements of comprehensive income and the statements of cash flows of the Group include the financial performance and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the current year and in prior years, or since their respective dates of incorporation, whichever was shorter. The statement of financial position of the Group as at 31 December 2016 has been prepared to present the financial position of the Group as if the current group structure had been in existence as at that date.

The assets and liabilities of the companies now comprising the Group are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or revised HKFRSs — effective 1 January 2017

The following new or 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows, note 35(b).

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the Group has no interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5 at the end of the reporting period.

The adoption of these amendments has no material impact on the Group's consolidated financial statements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

The following new or revised HKFRSs have been issued, 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.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Tax; HKAS 23, Borrowing costs; HKFRS 3, Business Combinations; HKFRS 11, Joint Arrangements[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HKFRS 9 — Financial Instruments (Continued)

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39. Under the expected credit loss model, it will no longer be necessary for loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. In addition, HKFRS 9 includes new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company do not expect that adoption of HKFRS 9 would result in significant impact on the amounts reported on the Group's consolidated financial statements.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HKFRS 15 — Revenue from Contracts with Customers (Continued)

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, licenses of intellectual property and transition requirements.

Under HKFRS 15, revenue is either recognised over time or at a point in time while under HKAS 11 contract revenue is recognised by reference to the stage of completion. The directors of the Company expect that revenue will continue to be recognised as the contract progress, broadly similar to the method under HKAS 11.

However, revenue recognition will be significantly delayed if it cannot be established that performance obligations are satisfied over time. In addition, contract modifications will be required to be approved before revenue is recognised. This new requirement may result in revenue from contract modification to be recognised later than it would have been under HKAS 11.

The directors do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 31, total operating lease commitment of the Group in respect of lease premises and car parks as at 31 December 2017 amounted to HK$4,030,000. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities. In addition, more quantitative and qualitative disclosures about the lease will be made following the requirements of HKFRS 16.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The directors do not expect the adoption of HK(IFRIC)-Int 23 would result in significant impact on the amounts reported on the Group's consolidated financial statements.

Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's consolidated results and consolidated financial position upon application.

4. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") 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 6.

5. 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.

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.

When the Group loses control of a subsidiary, the profit 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner 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.

5. 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.

5. 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

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) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leasing (Continued)

The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(e) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated objective. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; or

— it becoming probable that the debtor will enter bankruptcy or financial reorganisation.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of loans and receivables is reduced through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realised or has been transferred to the Company.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

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

Financial liabilities at amortised cost

The Group classifies its financial liabilities as financial liabilities at amortised costs, which include trade and other payables, bank borrowings and obligations under finance lease, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(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 HKAS 39.

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

(f) 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.

(g) 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.

(h) Revenue recognition and other income

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

(i) When the outcome of construction contracts can be estimated reliably, revenue from construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period (note 5(i));

(ii) Maintenance service income is recognised when services are provided;

(iii) Dividend income from investments is recognised when the shareholders' right to receive payment have been established;

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials and processing charges, costs of subcontracting, project staff costs and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

Amounts due from customers for contract works represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract works represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers for contract works provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the consolidated statement of financial position under "Trade and other receivables".

Retention monies, representing amounts of progress billings which are payable to subcontractors or receivables from customers when conditions specified in the contracts undertaken are satisfied, are included in the consolidated statement of financial position under "Trade and other payables" and "Trade and other receivables" respectively.

(j) 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes (Continued)

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.

(k) 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.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currency (Continued)

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.

(l) 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 recognized 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 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.

(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.

(m) Impairment of non-financial assets

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of non-financial assets (Continued)

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.

(n) 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 captialised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) 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.

(p) 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

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

6. 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. Amounts due from/to customers for contract works 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 amounts due from/to customers for contract works 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 by the directors.

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

Key sources of estimation uncertainty (Continued)

(iii) Warranty provision

The Group provides 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) Impairment of receivables

The policy for the impairment of receivables of the Group is based on management's evaluation of collectability and ageing analysis of receivables and on the specific circumstances for each account. Judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or debtor. If the financial condition of the customers or debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

7. SEGMENT INFORMATION

(a) Operating segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-marker, i.e. executive 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. The Group operates in Hong Kong and the PRC. All of the Group's revenue are derived from Hong Kong, and approximately 90% 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:

	2017 **HK$'000**	2016 HK$'000
Customer I	**159,097**	177,277
Customer II	**106,569**	N/A*
Customer III	**N/A***	67,836

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

8. 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:

	2017 HK$'000	2016 HK$'000
Design and build projects		
— Podium facade and related works	**300,691**	242,306
— Curtain wall works	**6,285**	24,749
	306,976	267,055
Repair and maintenance services	**8,775**	6,857
	315,751	273,912

9. OTHER INCOME, GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Bank interest income	**32**	7
Gain/(Loss) on disposal of property, plant and equipment	**25**	(16)
Others	**229**	26
	286	17

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowings	**536**	551
Interest element of finance lease payments	**2**	8
	538	559

11. PROFIT BEFORE INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	**630**	300
Cost of inventories recognised as expenses# *(note 17)*	**103,807**	73,037
Depreciation of property, plant and equipment*	**2,640**	1,563
Write-off of property, plant and equipment	**—**	6
Warranty expenses#	**81**	222
Employee benefit expenses, including directors' emoluments *(note 13(a))*		
— Salaries, allowances and other benefits	**42,708**	35,255
— Contributions to defined contribution retirement plan	**817**	735
	43,525	35,990
Exchange (gains)/losses, net	**(639)**	106
Operating lease charges in respect of land and buildings	**2,344**	1,807

Included in cost of revenue

* Included in administrative and other operating expenses

12. INCOME TAX EXPENSE

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

	2017 HK$'000	2016 HK$'000
Hong Kong Profits Tax		
— current tax for the year	11,846	11,696
— (over)/under-provision in respect of prior years	(117)	128
PRC Enterprise Income Tax		
— current tax for the year	1	—
Income tax expense	11,730	11,824

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Enterprise income tax arising from other regions of the PRC is calculated at 25% (2016: 25%) on the estimated assessable profit for the year.

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:

	2017 HK$'000	2016 HK$'000
Profit before income tax	63,997	61,901
Tax calculated at Hong Kong profits tax rate of 16.5% (2016:16.5%)	10,560	10,214
Effect of different tax rates of subsidiaries operating in other jurisdictions	(54)	(53)
Tax effect of revenue not taxable for tax purposes	—	(1)
Tax effect of expenses not deductible for tax purposes	1,444	1,348
Tax effect of temporary differences not recognised	(103)	188
(Over)/Under-provision in respect of prior years	(117)	128
Income tax expense	11,730	11,824

No deferred tax has been provided in the consolidated statements of comprehensive income as no material temporary differences as at 31 December 2017 and 2016.

12. INCOME TAX EXPENSE (Continued)

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 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company's subsidiary established in the PRC. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The temporary differences associated with investment in the PRC subsidiary for which deferred tax liabilities have not been recognised amounting to approximately HK$161,000 at 31 December 2017 (2016: HK$240,000).

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

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Retirement benefit plan contribution HK$'000	Total HK$'000
Year ended 31 December 2017					
Executive directors					
Mr. Lee *(Chairman and Chief Executive Officer)*	**—**	**2,340**	**1,620**	**18**	**3,978**
Mr. Chan Wai Yin (appointed on 9 January 2017)	**—**	**877**	**449**	**18**	**1,344**
Non-executive director					
Mr. Leung (appointed on 9 January 2017)	**—**	**845**	**—**	**18**	**863**
Independent non-executive directors					
Professor Wong Roderick Sue Cheun (appointed on 12 May 2017)	**132**	**—**	**—**	**—**	**132**
Mr. Tai Kwok Leung, Alexander (appointed on 12 May 2017)	**132**	**—**	**—**	**—**	**132**
Mr. Kwan Cheuk Kui (appointed on 12 May 2017)	**132**	**—**	**—**	**—**	**132**
	396	**4,062**	**2,069**	**54**	**6,581**
Year ended 31 December 2016					
Executive directors					
Mr. Lee *(Chairman and Chief Executive Officer)* (appointed on 29 November 2016)	—	2,145	1,320	18	3,483
Mr. Chan Wai Yin	—	598	186	18	802
Non-executive director					
Mr. Leung	—	540	—	14	554
	—	3,283	1,506	50	4,839

No emoluments were paid or payable to the independent non-executive directors during the year ended 31 December 2016.

During the years ended 31 December 2017 and 2016, none of the directors waived the remuneration 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.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 include two (2016: one) directors whose emoluments are reflected in the analysis presented note (a) above. The emoluments payable to the remaining three (2016: four) highest paid individuals during the years ended 31 December 2017 are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and other benefits	**2,521**	2,942
Discretionary bonus	**1,161**	1,522
Contributions to retirement benefit plan	**54**	72
	3,736	4,536

The emoluments fell within the following band:

	2017 Number of individuals	2016 Number of individuals
HK$1,000,001 to HK$1,500,000	**3**	4

During the years ended 31 December 2017 and 2016, there were no amounts paid or payable by the Group to the above non-director highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management's emoluments

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

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**2**	2

14. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim dividends *(note a)*	**20,000**	45,900
Proposed final dividend *(note b)*	**24,000**	—
	44,000	45,900

Notes:

(a) The interim dividend for the years ended 31 December 2016 and 2017 of HK$45,900,000 and HK$20,000,000 represented interim dividends declared by certain group entities to their then shareholders.

(b) A dividend in respect of the year ended 31 December 2017 of HK2.4 cents per share, amounting to a total dividend of HK$24,000,000, will be proposed at the forthcoming annual general meeting. The proposed dividend are not reflected as a dividend payable in these financial statements for the year ended 31 December 2017. There are no income tax consequences for the Group related to the payment of dividends by the Company to its shareholders.

15. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	**52,267**	50,052
	'000	'000
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue during the year	**888,356**	750,000

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2016 of 750,000,000 represents the number of shares of the Company in issue immediately after the completion of the capitalisation issue as further described in the note 26(a)(iv), as if these shares had been issued throughout the year.

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2017 of 888,356,000 includes the weighted average number of shares issued pursuant to the share offer (note 26(a)(iv)) of 138,356,000 shares, in addition to the aforementioned 750,000,000 shares in issue immediately after the capitalisation issue.

Diluted earnings per share are the same as the basic earnings per shares as there are no dilutive potential ordinary shares in existence during the year or in prior years.

16. 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						
As at 1 January 2016	669	2,645	1,223	27	139	4,703
Additions	5	510	600	334	2,676	4,125
Written off	—	(979)	—	—	(139)	(1,118)
Disposal	(644)	—	—	—	—	(644)
As at 31 December 2016 and 1 January 2017	30	2,176	1,823	361	2,676	7,066
Additions	—	1,279	1,477	1,711	557	5,024
Disposal	—	—	(1,005)	—	—	(1,005)
Exchange difference	—	20	—	—	—	20
As at 31 December 2017	30	3,475	2,295	2,072	3,233	11,105
Accumulated depreciation						
As at 1 January 2016	648	2,153	896	27	139	3,863
Depreciation	4	202	425	29	903	1,563
Written off	—	(973)	—	—	(139)	(1,112)
Disposal	(626)	—	—	—	—	(626)
As at 31 December 2016 and 1 January 2017	26	1,382	1,321	56	903	3,688
Depreciation	1	502	436	293	1,408	2,640
Disposal	—	—	(600)	—	—	(600)
Exchange difference	—	1	—	—	—	1
As at 31 December 2017	27	1,885	1,157	349	2,311	5,729
Net book value						
As at 31 December 2017	3	1,590	1,138	1,723	922	5,376
As at 31 December 2016	4	794	502	305	1,773	3,378

17. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials and consumables	**2,432**	976

Cost of inventories recognised as expense in "cost of revenue" amounted to approximately HK$103,807,000 (Note 11) for the year ended 31 December 2017 (2016: approximately HK$73,037,000).

18. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	2017 HK$'000	2016 HK$'000
Contract costs incurred to date plus recognised profits less recognised losses *(note)*	**812,736**	728,874
Less: Progress billings to date	**(780,518)**	(738,358)
	32,218	(9,484)
Amounts due from customers for contract works	**40,599**	14,955
Amounts due to customers for contract works	**(8,381)**	(24,439)
	32,218	(9,484)

Note: Included in the balances were warranty provision made for design and build projects amounting to HK$1,710,000 and HK$2,375,000 as at 31 December 2017 and 2016 respectively.

All amounts due from/(to) customers for contract works are expected to be recovered/settled within one year.

19. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**48,835**	30,220
Retention receivables	**14,780**	9,737
Deposits and prepayments	**34,757**	34,260
	98,372	74,217

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

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

	2017 HK$'000	2016 HK$'000
0 – 30 days	**20,862**	28,189
31 – 60 days	**25,616**	485
61 – 90 days	**743**	35
Over 90 days but less than 1 year	**1,555**	268
1 year or more	**59**	1,243
	48,835	30,220

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**45,741**	28,165
Past due but not impaired:		
Less than 1 month past due	**737**	304
Past due for 31 to 60 days	**743**	240
Past due for 61 to 90 days	**454**	24
Past due for 91 days but less than 1 year	**1,125**	491
Past due for 1 year or more	**35**	996
	3,094	2,055
	48,835	30,220

19. TRADE AND OTHER RECEIVABLES (Continued)

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

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 2017, based on due date, the Group's retention receivables of HK$12,407,000 (2016: HK$7,035,000) were not yet past due and the remaining balance of HK$2,373,000 (2016: HK$2,702,000) were past due, of which HK$1,848,000 (2016: HK$1,670,000) were 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.

20. AMOUNT DUE FROM A DIRECTOR

The amount due from a director is as follows:

Name	**As at 1 January 2016** HK$'000	**As at 31 December 2016** HK$'000	**Maximum outstanding balance during the year** HK$'000
Mr. Lee	7,646	—	8,876

The amount due was unsecured, interest free and repayable on demand. The balance has been fully settled for the year ended 31 December 2016.

21. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 December 2017 are interest-bearing at fixed rates ranged from 0.01% to 0.02% per annum (2016: 0.01% to 0.2%) and have maturity period of three days to three months (2016: three days to three months). The pledged bank deposits were denominated in HK$.

Pledged bank deposits were placed in banks to secure the bank borrowings and banking facilities of the Group (notes 24 and 33).

22. CASH AND BANK BALANCES

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

23. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**20,608**	21,329
Retention payables	**6,552**	7,369
Accruals and other payables	**11,253**	6,252
Receipt in advance	**14**	3,007
	38,427	37,957

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

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

	2017 HK$'000	2016 HK$'000
0 – 30 days	**10,625**	10,732
31 – 60 days	**3,014**	2,937
61 – 90 days	**247**	1,012
Over 90 days	**6,722**	6,648
	20,608	21,329

As at 31 December 2017, retention payables of HK$3,008,000 (2016: HK$5,635,000) were aged one year or below and the remaining balance of approximately HK$3,544,000 (2016: HK$1,734,000) were aged over one year.

24. BANK BORROWINGS

	2017 **HK$'000**	2016 HK$'000
Bank borrowings — secured and repayable within one year	**19,476**	10,027

The bank borrowings, including trade financing, are interest bearing at the bank's prime rate or the bank's prime rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 December 2017 granted under banking facilities was ranged from 3.13% to 5.25% (2016: 5.25%) per annum.

(a) As at 31 December 2017, the banking facilities (including bank borrowings and surety bonds) granted to the Group were secured by the bank deposits as described in note 21 and the corporate guarantee which is provided by the Company.

(b) As at 31 December 2016, the banking facilities (including bank borrowings and surety bonds) granted to the Group were secured by the following:

(i) Bank deposits as described in note 21;

(ii) Personal guarantees from Mr. Lee and Ms. Ku;

(iii) Legal charge over a property owned by Mr. Lee;

(iv) Legal charge over a property owned by Mr. Leung and Ms. Ku; and

(v) Legal charge over a property owned by a related company, in which the spouse of Mr. Lee and Mr. Leung have equity interests.

All those securities/guarantees from Mr. Lee, Mr. Leung and their spouses were fully released, discharged or replaced by corporate guarantee provided by the Company during the year ended 31 December 2017.

25. OBLIGATION UNDER FINANCE LEASE

The Group leased a motor vehicle with carrying amount of HK$82,000 as at 31 December 2016 (note 16). The lease is classified as finance lease and the lease obligation is secured by the leased assets. The effective interest rate of the Group's finance lease liabilities as at 31 December 2016 was 2.92% per annum. The finance lease was fully settled during the year ended 31 December 2017.

Future lease payments are due as follows:

	Minimum lease payments HK$'000	**Interest** HK$'000	**Present value** HK$'000
As at 31 December 2016			
Not later than one year	180	(2)	178

The present value of future lease payments is analysed as:

	2017 **HK$'000**	2016 HK$'000
Current liabilities	—	178

26. SHARE CAPITAL

(a) The share capital balance as at 31 December 2017 represented the issued share capital of the Company. Details of the movement in the authorised, issued and fully paid share capital of the Company during the period from 29 November 2016 (date of incorporation) to 31 December 2017 are summarised as follows:

	Notes	**Number of shares**	**Amount** HK$'000
Authorised:			
Ordinary share of HK$0.01 each			
Upon incorporation	*(i)*	38,000,000	380
Increase in authorised share capital	*(ii)*	9,962,000,000	99,620
As at 31 December 2017		10,000,000,000	100,000
Issued and fully paid:			
Ordinary share of HK$0.01 each			
Issue of share upon incorporation		1	—
Issue of shares for acquisition of a subsidiary	*(iii)*	3	—
Shares issued pursuant to the capitalisation issue	*(iv)*	749,999,996	7,500
Shares issued under share offers	*(iv) & (v)*	250,000,000	2,500
As at 31 December 2017		1,000,000,000	10,000

26. SHARE CAPITAL (Continued)

(a) (Continued)

Notes:

(i) The Company was incorporated on 29 November 2016 with authorised share capital of HK$380,000 divided in 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to subscriber, which was then transferred to Luxury Booming on the same date. Luxury Booming is a company incorporated in the British Virgin Islands and was beneficially owned by Mr. Lee and Mr. Leung since 9 January 2017.

(ii) On 12 May 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

(iii) On 12 May 2017, the Company allotted and issued three shares in aggregate to Luxury Booming which were credited as fully paid as consideration for the transfer of its shareholding of entire issued share capital of Join Forward. In addition, the Company credited the one nil paid share held by Luxury Booming referred to in note (i) as fully paid. Upon completion of the transfer, Join forward which is the holding company of the operating subsidiaries becomes a wholly-owned subsidiary of the Company.

Upon completion of the Reorganisation on 12 May 2017, the Company has become the holding company of the Group.

(iv) The Company's shares were listed on the Main Board of the Stock Exchange on 13 June 2017 and the issue of 250,000,000 new shares by the Company becomes unconditional. In connection to this, (i) the Company issued a total of 250,000,000 ordinary shares at HK$0.41 per share for subscription (the "Share Offer"); and (ii) the Company issued a total of 749,999,996 ordinary shares by way of capitalising an amount of HK$7,500,000 from the share premium account of the Company (the "Capitalisation Issue") arising from the Share Offer. The Company's total number of issued shares upon completion of the Share Offer and the Capitalisation issue was increased to 1,000,000,000 ordinary shares.

(v) Among the gross proceeds from the Share Offer of HK$102,500,000, HK$2,500,000 representing the aggregate par value of share issued was credited to the Company's share capital whereas the remaining amount of HK$100,000,000 was credited to share premium account.

(vi) The share issuance expenses, which amounted to approximately HK$9,652,000 were deducted from the share premium account.

(b) The share capital balance as at 31 December 2016 represented the issued share capital of the Company and its subsidiaries, Join Forward, as at that date.

27. 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.

No option has been granted under the Share Option Scheme since its adoption.

28. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Investments in a subsidiary		**63,185**	—
Current assets			
Amount due from a subsidiary		**62,000**	—
Prepayments and other receivables		**288**	680
Cash and cash equivalents		**68,768**	—
		131,056	680
Current liabilities			
Accrual and other payables		**11,396**	3,570
Amount due to a subsidiary		**883**	4,549
		12,279	8,119
Net current assets/(liabilities)		**118,777**	(7,439)
Net assets/(liabilities)		**181,962**	(7,439)
CAPITAL AND RESERVES			
Share capital	*26*	**10,000**	—
Reserves	*29*	**171,962**	(7,439)
Total equity/(Capital deficiency)		**181,962**	(7,439)

On behalf of the directors

Lee Chi Hung
Director

Chan Wai Yin
Director

29. RESERVES

The Group

Details of the movements on the Group's reserves for the years ended 31 December 2017 and 2016 is 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.

The Company

Details of the movements in the Company's reserves during the years ended 31 December 2017 and 2016 are as follows:

	Share premium HK$'000	Accumulated (losses)/ Retained profits HK$'000	Total reserve HK$'000
Loss for the period	—	(7,439)	(7,439)
As at 31 December 2016 and 1 January 2017	—	(7,439)	(7,439)
Profit for the year	—	33,368	33,368
Arising from reorganisation *(note)*	63,185	—	63,185
Share issued pursuant to capitalisation issue *(note 26(a)(iv))*	(7,500)	—	(7,500)
Share issued under share offer *(note 26(a)(v))*	100,000	—	100,000
Share issuance expenses *(note 26(a)(vi))*	(9,652)	—	(9,652)
As at 31 December 2017	146,033	25,929	171,962

Note: The amount represented the difference between the investment costs in Join Forward by Mr. Lee and Mr. Leung amounting to HK$63,185,000 and the shares issued by the Company at par totalling HK$0.03 for the transfer of shareholding of entire issued share capital of Join Forward as described in note 26(a)(iii) which was amounted to approximately HK$63,185,000 credited to the share premium account of the Company.

30. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operation and kind of legal entity	Issued and paid-in capital/registered capital	Equity interest held by the Company 2017	Equity interest held by the Company 2016	Principal activities
Directly held:					
Join Forward	British Virgin Islands, limited liability company	4 shares of US$ 1 each	**100%**	100%	Investment holding
Indirectly held:					
G & M Engineering	Hong Kong, limited liability company	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 Maintenance	Hong Kong, limited liability company	10,000 shares of HK$10,000	**100%**	100% *(note a)*	Provision of repair and maintenance services for podium facade and curtain wall
G & M Contracting	Hong Kong, limited liability company	HK$1,000,000	**100%**	100%	Inactive (2016: provision of project management services)
G & M Design *(note b)*	PRC wholly-owned foreign enterprise with limited liability	Renminbi ("RMB") 2,000,000	**100%**	100%	Design of aluminum curtain wall, glass curtain wall and aluminum claddings

Notes:

(a) Upon acquisition of 20% equity interest of G & M Maintenance from Mr. Chan Wai Yin, the non-controlling shareholder and the director of the Company, on 1 February 2016 as part of the Reorganisation as disclosed in note 2 to the financial statements, the Group's equity interest in G & M Maintenance increased from 80% to 100%.

(b) The company is newly incorporated on 27 January 2016.

(c) The amount due from a subsidiary is unsecured, interest free and repayable on demand.

31. OPERATING LEASE COMMITMENTS

Operating leases — lessee

The Group leases office premises and car parks under operating lease arrangement. The leases run for an initial period of one to three years (2016: one to three years) and are non-cancellable.

The total future minimum lease payments are due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**2,693**	1,989
Later than one year and not more than five years	**1,337**	1,807
	4,030	3,796

32. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Commitments for the acquisition of property, plant and equipment:		
— Contracted but not provided for	**—**	1,074

33. 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 reporting period are as follows:

	2017 HK$'000	2016 HK$'000
Aggregate value of the surety bonds issued in favour of customers *(note 21)*	**28,555**	27,768

The surety bonds are required for the entire period of the relevant construction contracts. As at 31 December 2017, the respective construction contracts are expected to be completed in year 2018 (2016: year 2017 to 2018)

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.

34. LITIGATIONS

During the years ended 31 December 2017 and 2016, 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.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Non-cash transactions

For the year ended 31 December 2017, the Group acquired certain property, plant and equipment by (i) utilisation of a prepayment of HK$436,000 made in prior year; and (ii) a trade-in arrangement with deemed consideration of HK$420,000.

(b) Reconciliation of liabilities arising from financing activities:

	Finance lease HK$'000	**Bank borrowings** HK$'000
At 1 January 2017	178	10,027
Changes from cash flows:		
— Proceeds from bank borrowings	—	33,900
— Interest incurred for the year	2	536
— Interest paid for the year	(2)	(536)
— Repayment for the year	(178)	(24,451)
At 31 December 2017	—	19,476

36. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with its related parties during the year:

Name	Related party relationship	Type of transaction	Transaction amount 2017 HK$'000	2016 HK$'000
Kentan (HK) Company Limited *(note i)*	A director has equity interest	Purchase of materials	—	18
Kentan Co., Ltd *(note i)*	A director has equity interest	Purchase of materials	**576**	20
Profit Bright Enterprises Limited *(note ii)*	A director and spouses of another directors have equity interests	Rental expenses paid	—	300

Notes:

(i) Mr. Lee has equity interest in Kentan (HK) Company Limited and Kentan Co., Ltd.

(ii) The spouse of Mr. Lee and Mr. Leung have equity interest in Profit Bright Enterprises Limited.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related parties.

(b) Remuneration of key management personnel who are directors of the Company is disclosed in note 13(a).

(c) As at 31 December 2016, Mr. Lee and Mr. Leung provided the certain securities/guarantees for the Group's bank borrowings and banking facilities as disclosed in note 24.

37. CAPITAL 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 include bank borrowings and obligation under finance lease. Equity represents total equity of the Group.

37. CAPITAL MANAGEMENT (Continued)

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:

	2017 HK$'000	2016 HK$'000
Bank borrowings	**19,476**	10,027
Obligation under finance lease	—	178
	19,476	10,205
Total equity	**208,085**	82,947
Gearing ratio	**9.36%**	12.3%

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.

38. 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:

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables:		
— Trade and other receivables	**65,247**	41,552
— Pledged bank deposits	**21,215**	21,211
— Cash and bank balances	**106,614**	48,482
	193,076	111,245

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

	2017 HK$'000	2016 HK$'000
Financial liabilities		
At amortised cost:		
— Trade and other payables	**38,413**	34,950
— Bank borrowings	**19,476**	10,027
— Obligation under finance lease	**—**	178
	57,889	45,155

The fair value of 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.

39. 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 19), 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.

39. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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.

The Group provided guarantees in respect of the surety bonds issued in favour of several customers (note 33). As at 31 December 2017, the maximum exposure to credit risk of guarantees issued by the Group was the value of the surety bonds of HK$28,555,000 (2016: HK$27,768,000), 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 approximately 76% and 93% (2016: 29% and 89%) 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, bank borrowings and finance lease liability. 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 2017 and 2016 bore interest at floating rates whereas its finance lease liability bears interest at fixed rates at 31 December 2016. Details of bank borrowings and finance lease liability are disclosed in notes 24 and 25 respectively.

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.

39. 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):

Changes in interest rate	Increase/(Decrease) in profit for the year and retained profits 2017 HK$'000	2016 HK$'000
+1%	**(43)**	(10)
–1%	**43**	10

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, time deposits and bank borrowings placed with banks that are denominated in RMB and EUR.

The carrying amount of the Group's major financial assets and liabilities denominated in a currency other than the functional currency of the Group as at 31 December 2017 and 2016 are as follows:

	2017 HK$'000	2016 HK$'000
Financial assets		
RMB	**19**	16
EUR	**1,744**	1,460
Financial liabilities		
EUR	**2,440**	—

39. 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/(Decrease) in profit for the year and retained profits	
	2017	2016
	HK$'000	HK$'000
Financial assets		
RMB appreciated by 3%	**1**	—
EUR appreciated by 3%	**52**	44
Financial liabilities		
EUR appreciated by 3%	**(73)**	—

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 for the year 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.

39. 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 HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
As at 31 December 2017				
Trade and other payables	38,413	38,413	38,413	—
Bank borrowings	19,476	19,845	19,845	—
	57,889	58,258	58,258	—
As at 31 December 2016				
Trade payables and accruals	34,950	34,950	34,950	—
Bank borrowings	10,027	10,219	10,219	—
Obligation under finance lease	178	180	180	—
	45,155	45,349	45,349	—

Four-Year Financial Summary

A summary of the published results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from this annual report and the accountant's report as contained in the Prospectus, is set out below.

	For the year ended 31 December			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**315,751**	273,912	218,820	151,304
Gross profit	**99,505**	90,523	71,067	50,393
Profit before income tax	**63,997**	61,901	55,863	37,339
Income tax expense	**(11,730)**	(11,824)	(9,371)	(6,074)
Profit for the year	**52,267**	50,077	46,492	31,265

	As at 31 December			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**5,376**	3,814	1,762	3,434
Current assets	**269,232**	159,841	166,983	130,876
Total Assets	**274,608**	163,655	168,745	134,310
Non-current liabilities	**—**	—	178	385
Current liabilities	**66,523**	80,708	82,725	65,835
Total liabilities	**66,523**	80,708	82,903	66,220
Total equity	**208,085**	82,947	85,842	68,090